Annual Report 2022

A journey embraced

المتحدة للتمويل
United Finance

أنجز المزيد
Achieve more

His Majesty Sultan Haitham bin Tarik

His Majesty Sultan Qaboos bin Said

"May Allah have mercy upon him"

Contents

Branches, Bankers & Auditors

Head Office

P.O. Box 3652, P.C.112, Ruwi

E-mail: ufc@ufcoman.com

Website: www.ufcoman.com

Tel: 24577300, Fax: 24561557

Branches

Branch	Tel.	Fax.
Barka	26883996	26883931
Firq	25410052	25410595
Ibra	25570234	25570235
Ibri	25692402	25688668
Mawaleh	24520611	24520613
Salalah	23289668	23289446
Sohar	26843603	26843650

Bankers

- Bank Muscat
- National Bank of Oman
- Bank Dhofar
- Bank of Baroda
- Ahli Bank
- Oman Arab Bank

Statutory Auditors

Ernst & Young

Board of Directors' Report

Mohamed Abdulla Al Khonji
Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the audited financial results of our company for the year ended 31st December 2022.

Economic Overview

The year that went by was tumultuous, hopeful, challenging and satisfying, all rolled into one. In short, it was a year like no other. Leaders globally battled the twin challenges of saving and creating jobs, versus the challenge that Covid and its various variations of concern kept throwing at them. At the end, we feel that in Oman we have taken the bull by the horns and are opening up the economy slowly but surely, and we expect that normalcy will return by mid-2023, inshallah.

The buoyant Oil and Gas prices have helped tremendously and given Oman some breathing space in the coming year, with Higher Oil prices boosting the 2022 revenues to 14.23 billion riyals and public spending was 13.09 billion riyals. The Net surplus allowed the government to reduce public debt to 17.7 billion riyals in 2022 from 20.8 billion riyals in 2021. Credit rating agencies have also upgraded the outlook for Oman and with the global economy on an upswing, the World Bank has projected a GDP growth rate of 3.2% in 2023 for Oman. Oman's economy is expected to grow by 5.5 per cent in 2023 as compared to estimated 5.0 per cent growth in 2022, mainly due to an increase in Oil and Gas production and Hydrocarbon, GDP is

"We launched our new brand in October 2022 and invested in a new core banking system, whose implementation will commence in Q1 2023."

projected to grow by 10.1 per cent and non-hydrocarbon GDP is expected to grow by 2.9 per cent. All this augurs well for our company and we expect to continue our good performance in the coming year as well.

Financial Performance

During 2022, we were conservative in onboarding new customers and cautiously grew the Gross Loan Book. Net installment finance debtors grew by 9.9% during 2022.

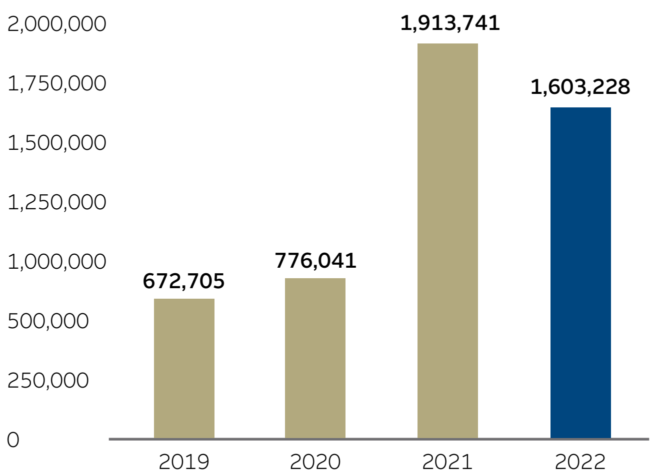
The company continued its strict focus on collection of overdue loans and the total impaired loans have come down to RO 21.53 million in 2022 from RO 26.29 million in 2021. Despite a challenging economic environment, the impaired loans of the company have been reducing over the last two years, and the company holds adequate impairment reserves. Our total provisions, including special reserves, is 61.7%. The company is continuously fine-tuning the model for impairment provision based on the expert opinion of an external firm, and the same has been vetted by our external auditors. Our profit after tax is at RO 1.60 million for the year 2022.

We believe our company is in a strong position going into next year, and we expect the strong financial performance to continue.

Looking Ahead

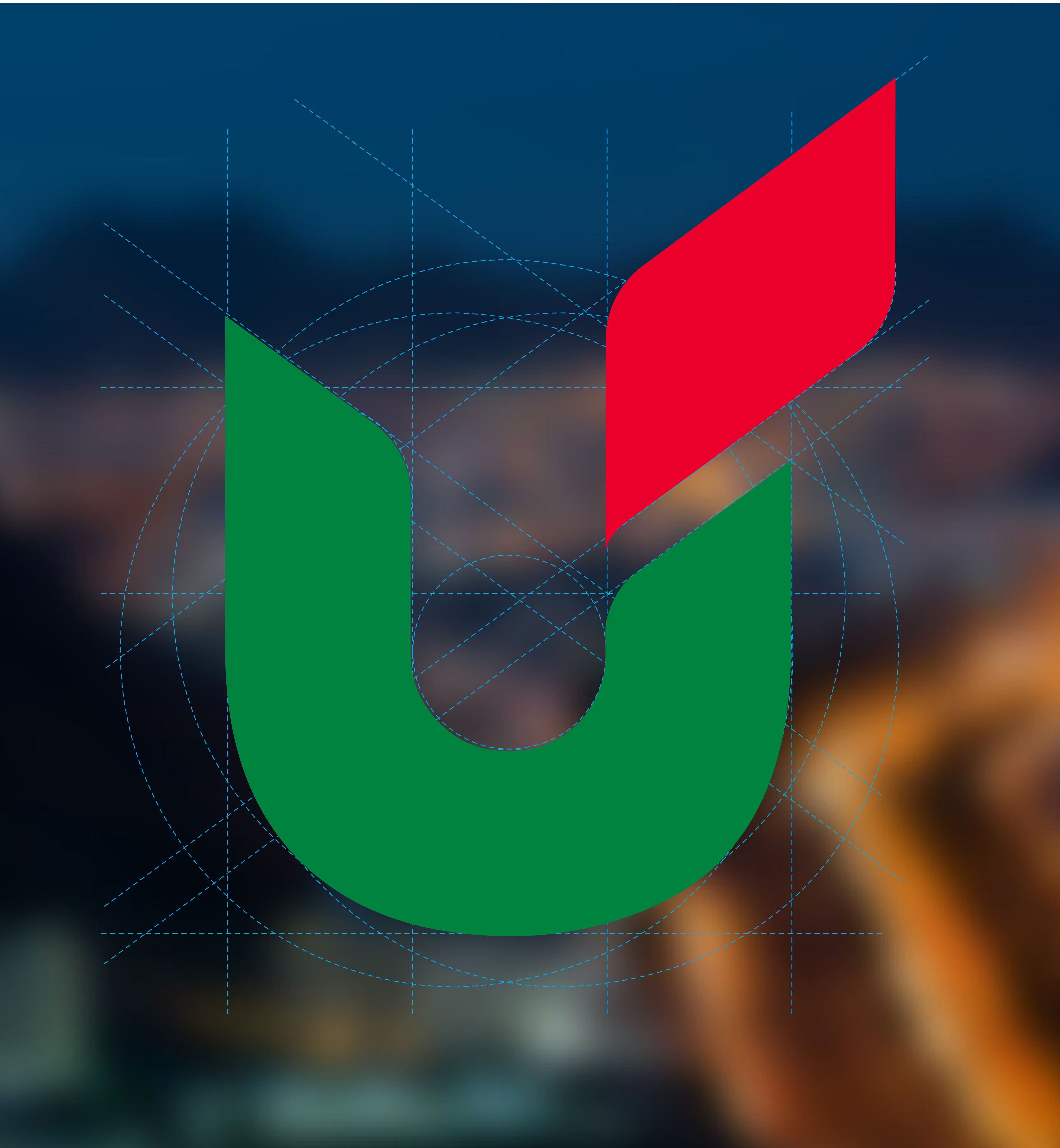
We are optimistic for the year 2023, even though the challenges of 2022 have not gone away. The efforts of His Majesty's government have led to the budget deficit reducing, and Oman has embarked on a transformation journey that emphasizes the diversification of the economy. In line with His Majesty's Vision 2040, United Finance Company SAOG (UFC) has also undertaken a transformation. While it has always placed its values around Oman's people, community and economic development, the company is now fast-tracking its emphasis on technology-led growth. This will lead to many opportunities for improved service delivery, new products, and higher customer satisfaction. We believe this will be transformative, make us future-ready, and serve our ambition of becoming a finance powerhouse in Oman.

Net Profit



Technology & Branding

In line with our transformation strategy, we are working on improvements across virtually every aspect of our business. This is underpinned by our new promise to customers – to achieve more in their personal lives and



Board of Directors' Report (continued)

their businesses and to expect more, seek more and do more - with help from United Finance Company. We launched our new brand in October 2022 and invested in a new core banking system, whose implementation will commence in Q1 2023. The envisaged digitally-enabled solutions will support UFC to serve its customers more effectively and efficiently, thereby delivering our new brand promise of "Achieve More".

Human Resources

We continue to work on improving our employee engagement through various initiatives and have engaged a leading training company to train our staff. Our goal is to ensure that by the end of 2023, every Omani employee has been through at least two training programs. We have also identified young Omanis to undertake special Leadership Training so that we can develop them as the future leadership of the company. The program commenced in 2022 and is expected to be completed in Q3 2023. It will be followed by in-house training for the team to bring up future leadership. We believe that our efforts will result in higher retention, improved productivity, and lower overall costs for the company going forward.

Dividend

The Board of Directors has recommended a cash dividend of 2.75% and a stock dividend of 2% for the year 2022.

Acknowledgment

The Board of Directors and Management express their highest gratitude to His Majesty Sultan Haitham bin Tariq Al Said and respectfully acknowledge his able leadership to nurture the country in the years to come.

On behalf of the Board, I wish to express our gratitude to the Central Bank of Oman, Capital Market Authority, Ministry of Commerce and Industry, Ministry of Manpower, Royal Oman Police, and other Regulatory Authorities and thank them for their support and guidance. We also take this opportunity to extend our sincere thanks to our bankers, shareholders, and other stakeholders for their unstinted support.

On behalf of the Board, I would like to place on record my appreciation and thank the Management and staff for their individual and collective contribution to achieving operational efficiency and realizing the company's goals.

May Allah bless all of us,

Mohamed Abdulla Al Khonji
Chairman

Transforming Our Business for Future Growth.

United Finance Company is on track to becoming a next-generation ‘Finance Powerhouse’ that uses technology and has redefined its customer promise to create a value-exchange ecosystem for its clients. Recruited in 2021, its senior leadership team is now fully operational, with a mandate covering staff training and service standards - supported by new communication strategies designed to connect with people, to listen to needs and turning the organization into a fully people-centric financial provider.

As a vital part of the Company’s new brand, launched in October 2022, this has now redefined our essence to become more helpful and more supportive - focusing on advising people, so that they can realize their ambitions. These strategies are underpinned by a promise to our customers – to ‘achieve more’, in their personal lives and in their businesses - to expect more, seek more and grow more - with help from United Finance Company.

After 25-years of placing its values around Oman’s people, its community and economic development, United Finance Company’s transformation actions are committed to far-better serve its customers for the next twenty-five years - with increased levels of service, increased empathy and enhanced outcomes.

United Finance Company's color palette has evolved from Oman's national flag and inspired by the landscapes of Oman. We also celebrate our common heritage and purpose using a graphic device "United for Oman" within our collateral. This also ties in with our enduring commitment to Omanization.

متحـــدون لعمـــــان
United for Oman

Board of Directors

Mohamed Abdulla Al Khonji

Chairman

Hassan Ihsan Naseeb Al Nasib

Deputy Chairman

Hussam Hisham Omar Bostami

Board Member

Waseem Salah Qaraeen

Board Member

Salman Hussain Salman AL-Lawati

Board Member

Mohamed Mahmood Ahmed Al Raise

Board Member

Fariborz Vessali

Board Member

Audit, Risk, Compliance Management Committee

Waseem Salah Qaraeen

Chairman

Salman Hussain Salman AL-Lawati

Member

Hassan Ihsan Naseeb Al Nasib

Member

Nomination, Remuneration, Executive Committee

Mohamed Abdulla Al Khonji

Chairman

Hussam Hisham Omar Bostami

Member

Fariborz Vessali

Member

Mohamed Mahmood Ahmed Al Raise

Member

Management Discussion and Analysis

Nasser Salim Al Rashdi
Chief Executive Officer

Economic Overview

In recent years, Oman's economy has faced a challenging environment due to low oil prices, reduced oil production, and the COVID-19 pandemic. Despite these obstacles, the Omani economy is projected to recover and grow in 2022.

After 3% growth in 2021, Oman's real GDP is estimated to have grown to around 4.4% in 2022. The recovery has been driven by increased government spending and higher oil prices. Moreover, the non-oil sector is expected to rebound, supported by government initiatives that aim to diversify the economy and attract foreign investment.

In recent years, Oman's government has implemented various economic reforms. For instance, the introduction of a new foreign investment law has been implemented to encourage foreign investment and diversify the economy away from oil. Furthermore, the government is improving the business environment and reducing bureaucracy to foster private sector investment and growth.

Privatization of a number of state-owned assets is among the government's plans to attract significant foreign investment and boost economic growth. Oman's economy heavily depends on oil, accounting for approximately 70% of government revenues. Therefore, the government's initiative to diversify the economy by developing the tourism sector has significant potential due to the country's natural beauty and rich cultural heritage.

Inflation in Oman was expected to remain low in 2022, as the government has made efforts to control prices and the pandemic's impact on demand. The unemployment

"After 3% growth in 2021, Oman's real GDP is estimated to have grown to around 4.4% in 2022."

rate is also expected to decrease as the economy continues to recover from the pandemic.

Overall, Oman's economy is expected to recover in 2023, boosted by higher oil prices, government spending, and diversification initiatives. Nevertheless, the country still faces significant challenges in reducing its dependence on oil and creating new job opportunities for its young and growing population.

Industry Overview

The Omani financial industry has been experiencing significant growth in recent years, despite the challenges posed by the COVID-19 pandemic. In 2022, the industry continued its growth trajectory, with the implementation of various initiatives that aim to foster a more robust financial system.

The Central Bank of Oman has been implementing several policies and initiatives to promote the growth of the financial industry. For instance, the central bank launched a new E-payment system (Tawasul), which enables instant money transfers between banks and individuals, thereby promoting financial inclusion and convenience resulting in a significant increase of e-payment transactions.

Oman's financial sector is one of the most well-established and stable in the region, with a decent number of banks and finance companies operating in the country. The finance industry has been growing in recent years, driven by increased government spending and higher demand for credit. In addition, banks have been expanding their services to include digital banking and other innovative services to enhance the overall customer experience.

In conclusion, the Omani financial industry is expected to continue its growth in 2022, driven by increased government spending, higher demand for credit, and the implementation of innovative policies and initiatives. The industry's robustness is also enhanced by the stable banking sector, growing insurance sector, and developing capital market, all of which provide investors with various investment opportunities.

Opportunities and Threats

For the financial industry in Oman, there are specific opportunities and threats to consider. Oman's push for economic diversification, infrastructure development, and digital transformation creates opportunities for the industry to expand its offerings and grow its customer base. As the government encourages the use of digital banking, there is potential for innovation in financial technology (fintech) products and services. However, the financial industry also faces threats, such as the impact of global economic uncertainty on the banking and insurance sectors, and competition from other countries in the region. Moreover, the potential for a skills shortage in Oman's workforce may limit the industry's ability to grow and innovate. It is crucial for financial institutions in Oman to monitor these opportunities and threats and adjust their strategies to succeed in a constantly evolving financial landscape.

In addition to the opportunities and threats facing the financial industry in Oman, it is essential to consider the country's Vision 2040. This ambitious plan aims to transform Oman's economy and society, promoting sustainable development and enhancing the country's competitiveness on the global stage. Vision 2040 sets out several key areas of focus, including economic diversification, job creation, education, healthcare and sustainable development.

Our Mission

is to make life easier for people who want to enjoy greater opportunities and achieve more, by offering responsive, friendly, and helpful financial advice with products and services tailored for individuals and businesses.

Our Aim

is to be your preferred finance partner, inspiring you to achieve more, empowering you with the right tools to enhance your life or grow your business, and supporting you to enjoy greater opportunities.

Do More.
Experience More.
Achieve More.

Management Discussion and Analysis (continued)

The financial industry has a crucial role to play in realizing Oman's Vision 2040, particularly in supporting economic diversification and promoting sustainable growth. The industry must adapt to meet the changing needs of the economy and society, leveraging technology to provide innovative products and services and expanding its reach to underserved segments of the population. By doing so, the financial industry can contribute to Oman's long-term development goals and help shape the country's future.

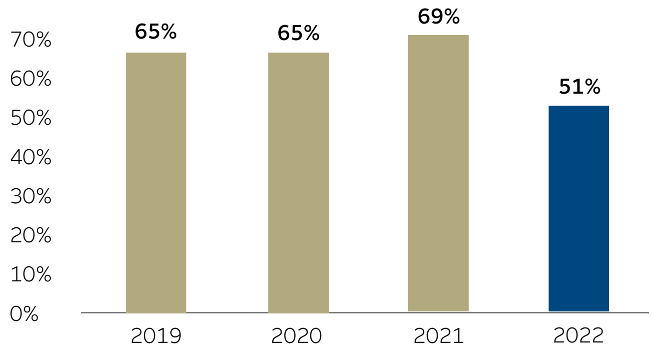
Analysis of Segment & Product-wise Performance

As of December 2022, UFC remains committed to providing finance to both retail and corporate segments while striving to maintain a balanced loan portfolio aiming at quality customers. To adapt to the evolving economic situation, the company has reduced its exposure to high-risk sectors such as construction and instead focused on lower-risk sectors.

The loan portfolio is thoroughly evaluated by management, who assess repayment track records, income spreads, and delinquency rates to adjust lending norms and mitigate risks. Credit criteria are periodically reviewed and revised based on market feedback and risk review reports to safeguard against delinquencies.

All loans extended by UFC are secured by the assets financed, and in some cases, additional security is obtained through the assignment of receivables, collateral assets, mortgage of property, personal guarantees of borrowers, and counterparties to mitigate risks from unforeseen developments. The corporate segment includes loans extended for assets used for income generation, while the retail segment covers assets used for personal purposes.

Provision Coverage



Outlook

United Finance Company is dedicated to utilizing technology to create a value-exchange ecosystem for digitally-engaged individuals, corporates, and SMEs, with the goal of becoming a next-generation Finance Powerhouse. The company plans to reinvent its product and delivery channels to meet the changing needs of the technology-led market, while still offering a range of financial products and services such as car loans (new and used cars), equipment loans, heavy vehicle financing, bill discounting, working capital funding, and corporate deposits. The company also aims to enhance its collection efforts to mitigate the risk of delinquencies and reduce the level of impaired loans. Through leveraging on technology and data analytics to offer personalized products and services that cater to the unique needs of its customers, United Finance Company is committed to improving customer experience and providing innovative solutions.

Human Resources

United Finance is committed to enhancing the skills of its employees, with the goal of achieving Vision 2040. The company prioritizes the development of in-house talent and has partnered with a leading training company to equip its young Omani staff with the necessary skills for future leadership roles. By investing in its talent, United Finance aims to enhance efficiency, reduce turnover, and decrease future hiring costs. With 100% Omanization of its branch network, and a commitment to surpassing the stipulated 85% Omanization rate, the company is dedicated to nurturing its talented workforce and providing opportunities for growth and excellence within the organization. Performance management, effective communication, coaching, employee motivation, and training will remain key focus areas for United Finance moving forward.

Risk and Concerns

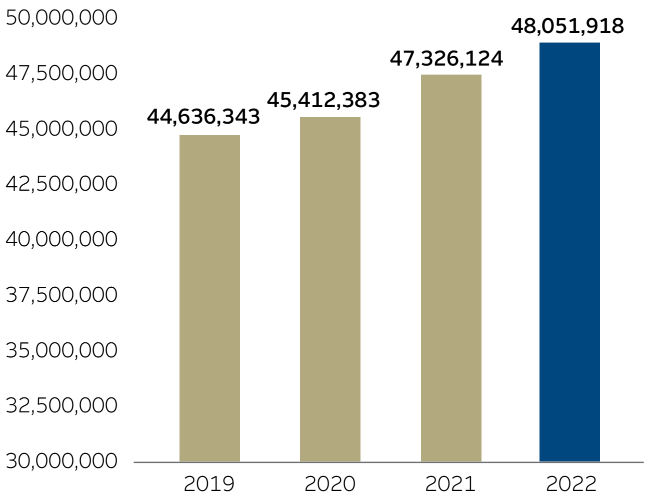
In 2022, businesses continue to face inherent risks from various factors, both internal and external. Some risks can be predicted, while others are caused by unforeseen events and developments. Financial institutions, being critical players in funding developmental activities that promote economic growth, are significantly impacted by the risks that the larger economy is exposed to. Therefore, financial institutions must adopt consistent and proactive measures to effectively manage risk.

United Finance recognizes the importance of managing risk, and has established clear policies and procedures for all its financial and business transactions to mitigate operational risk through internal control measures.

The company's Risk Management Team regularly evaluates the performance of its loan portfolio, assessing the risks that the company and industry face. The team also closely monitors economic and market developments and their potential impact on United Finance's performance and the broader financial services sector. By evaluating available information, the Board and Management are provided with critical data on factors that may affect business prospects, delinquency, and profitability, enabling the company to take corrective steps and mitigate risks. Furthermore, our Risk Management team independently evaluates all corporate and retail proposals above a specific threshold and provides their insights to sanctioning authorities, facilitating objective decision-making.

United Finance has restructured and strengthened its Risk team in anticipation of potential challenges in 2022 and beyond to ensure we are well-equipped to manage risks effectively.

Net Worth



Credit Risk

Credit risk remains a significant concern for financial institutions, including United Finance. Credit risk arises when borrowers fail to meet their financial commitments, resulting in financial losses for lenders. To mitigate credit risk, the company conducts periodic

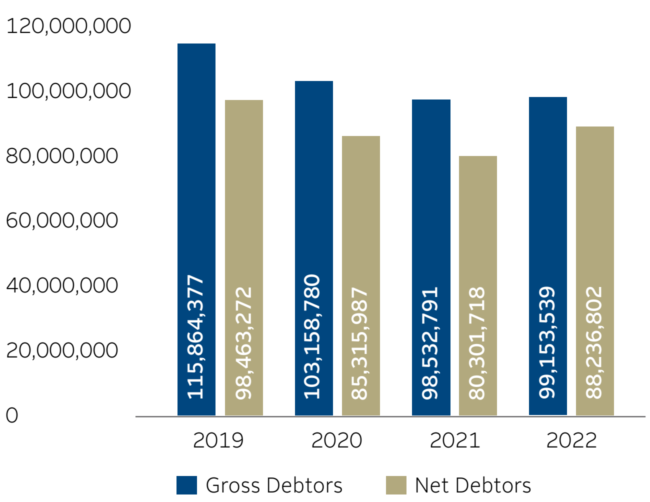
Management Discussion and Analysis (continued)

reviews of its credit evaluation process to ensure it aligns with the current market environment.

United Finance continuously monitors the business performance of its borrowers by interacting with them regularly, evaluating their financials, and gathering information from market sources. This proactive approach enables the company to identify any signs of weakness or dilution in their creditworthiness and take necessary measures to mitigate credit risk.

Despite the challenges faced by the sector, United Finance has successfully reduced its non-performing loan portfolio from RO 26.289 million in 2021 to RO 21.53 million in 2022. The company's commitment to consistently evaluating and managing credit risk will continue to be a top priority in 2023 and beyond.

Gross Debtors vs Net Debtors



Interest Rate Risk

Interest rate risk remains a key concern for financial institutions. It arises due to mismatches in the re-pricing dates of assets and liabilities. To manage this risk, our company focuses on minimizing the gap in the re-pricing profile of assets and liabilities and exploring alternate risk management strategies.

Our loans have fixed interest rates with an interest variance clause and varying tenures, ranging from 180 days to over five years. However, any re-pricing of our liabilities by lenders due to economic and market-driven factors could result in interest rate risk. To mitigate this risk, we match the tenure of our assets and liabilities by availing long-term funds from lenders at fixed interest rates, to the extent possible.

In 2022, our average Net Interest Margin has improved, reflecting our successful management of interest rate risk. This key financial metric will continue to be a focus for us in 2023 as we strive to maintain effective management of interest rate risk in a dynamic economic and market environment.

Liquidity Risk

Liquidity risk remains a significant concern for financial institutions. It occurs when an entity is unable to meet its obligations at any given time. To mitigate this risk, our company has implemented conservative liability management policies, which ensure that we can meet our obligations even in adverse situations.

Our Asset Liability Committee (ALCO) members review the maturity profile of our assets and liabilities on a monthly basis, enabling us to identify potential liquidity risks and take proactive measures to mitigate them.

We have good support from local banks and have adequate lines of credit to meet our commitments for 2023 and beyond. We remain committed to maintaining a strong liquidity position, which will enable us to meet our obligations promptly and effectively in all market conditions.

Internal Controls Systems and their Adequacy

UFC recognizes the importance of having a robust internal audit team in place to ensure effective risk management. The company has strengthened its internal audit function by assigning some areas to PWC, complementing the work of the in-house audit team. The internal audit team conducts regular checks and also focuses on risk-based audits to identify potential areas of risk. The department reports directly to the Audit, Compliance and Risk Management Committee, which comprises members from the Board.

In addition to internal audit, UFC has also established a compliance function to ensure conformity with statutory and regulatory requirements. The Chief Compliance Officer, who reports directly to the Board, leads this function and is supported by Departmental Compliance Officers in each department and branch office. Specific staff members are identified, trained, and entrusted with the responsibility of ensuring compliance with prescribed norms. The company conducts periodic training sessions in compliance to foster a culture of compliance throughout the organization.

UFC recognizes the importance of regularly reviewing and updating policy and procedure manuals covering various areas of operation to keep up with the changing business environment. The Heads of Departments and Management conduct these reviews and updates, which are approved by the Board and circulated to the concerned departments for reference and compliance.

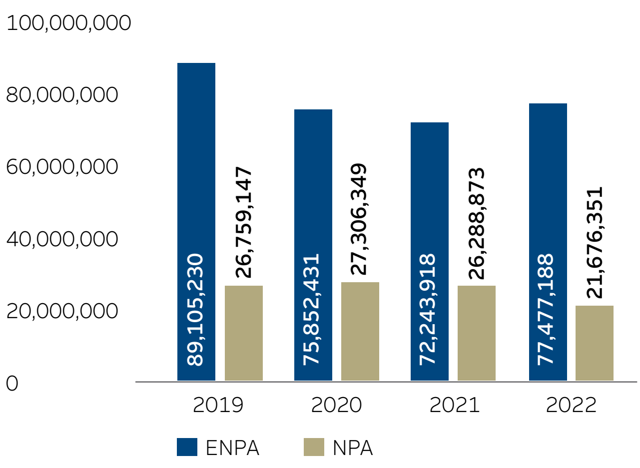
With these measures in place, UFC is well-prepared to handle the level of operations and ensure effective risk management and compliance in 2022 and beyond.

Information Technology, Disaster Recovery and Business Continuity Plan

UFC boasts a team of proficient and skilled Information Technology experts who prioritize frequent evaluation and enhancement of its IT infrastructure to accommodate the evolving demands of the business landscape. The company intends to upgrade to cutting-edge software utilized by several banks and financial institutions across various countries.

Furthermore, the company maintains its Disaster Recovery (DR) infrastructure in Barka, which undergoes periodic testing to ensure readiness. With this DR infrastructure in place, the company can maintain business continuity with minimal interruption in case of any disruption. Additionally, UFC has allocated the required resources and implemented an extensive Business Continuity Plan, as appropriate for financial institutions.

ENPA vs NPA



Management Discussion and Analysis (continued)

Discussion on Financial Performance

The company recorded a net profit of RO 1.603 million for the year 2022 compared to RO 1.913 million in the previous year. In the previous year, the company changed its revenue recognition process from accrual basis to cash basis, resulting in an additional one-off revenue transaction of RO 958K in 2021, leading to higher revenue growth and net profit in 2021. The operating profit recorded at RO 2.59 million, finance income at RO 7.7 million, and net interest income stood at RO 5.9 million in 2022.

In 2022, UFC continued its cautious approach to new loans due to the uncertain market conditions post Covid-19 pandemic. The loan portfolio as of December 2022 grew by 9.9%, reaching RO 88.2 million compared to RO 80.3 million at the end of the previous year.

Impaired loans as of December 2022 were lower at RO 21.53 million compared to RO 26.2 million as of December 2021. The company wrote off a loss portfolio of RO 8.15 million in 2022 as part of its efforts to improve the quality of the loan portfolio, and it will continue these efforts in the coming years.

The fund position of the company was comfortable during the year. The company mobilized adequate credit limit facilities from banks to meet its business requirements.

The company provided RO 0.709 million as an impairment provision during the year in compliance with IFRS 9 requirements, which includes specific provisions for impairment and continued to maintain additional provisions due to a significant increase in credit risks, as well as other specific provisions to cater for post-deferment slippages, if any. The company is taking appropriate pre-emptive steps to improve collections and bring down the level of impaired loans in the coming year.

Performance at a Glance (RO '000)

Particulars	2022	2021	2020
Total Assets	**93,012**	84,456	89,374
Share Capital	**34,914**	34,914	34,914
Total Equity	**48,052**	47,326	45,412
Finance Debtors	**88,236**	80,302	85,316
Total Borrowings	**39,556**	31,947	40,675
Gross Income	**8,316**	8,727	7,978
Net Finance Income	**5,944**	6,250	4,997
Net Profit	**1,603**	1,914	776

Nasser Salim Al Rashdi

Chief Executive Officer

Our Values

Focus
Because financial products will always be need-based, we constantly focus on developing the right solutions to satisfy the demands of both our current and future customers. We operate on strict principles of best practice, researching and evaluating new ideas and increasing our skills, to provide the most relevant products and services and the highest levels of customer care.

Action
We don't like having to wait for answers any more than our customers do, so we go about our business every day with an ongoing sense of urgency, always aiming to ensure that our actions and responses meet or exceed expectations.

Support
We are a friendly and responsive team that cares for its customers and looks after their needs. Our goal is to support and empower people to live more, experience more, grow more and do more.

Trust
As a financial services lender we consider it our duty to offer the best advice, to form strong relationships with our customers and work on enhancing these ties every day. Our customers trust in our help, and so it is our duty to live up to that expectation through our business approach and everyday actions, because trust has to be earned.

Report on Corporate Governance for 2022

1. Company's Philosophy

United Finance Company SAOG (the "Company" or the "UFC") has adopted the Corporate Governance framework introduced vide CBO circular no. BM/932 dated 04.02.2002, CMA regulations vide CMA circular no. 11/2002 duly amended by circular No 1/2003 and CMA Administrative Decision No.5/2007 as part of its Disclosure Policy, Code of Corporate Governance vide CMA circular No. E/4/2015, Executive regulation of Capital Market Law. The company always believed in good governance practices and it was with pleasure that the Board and Management noted that the company was in full compliance with CBO/CMA guidelines in this respect. Further separate paragraphs on Corporate Social Responsibility and Information Technology, Disaster Recovery and Business Continuity Plan are being included in the Annual Report.

Salient features of the governance regulations followed by the company are as under:

1.1 Role and Responsibilities of the Board:

The regulations lay down the principles of demarcation between the role, responsibility, and accountability of the Board of Directors and that of the Management in the conduct of the affairs of the company. The broad areas of Board's responsibilities are as under:

a. Policies formulation.
b. Supervision of major initiatives.
c. Overseeing policy implementation and periodic review.
d. Ensuring compliance with laws and regulations.
e. Nurturing proper and ethical behavior.
f. Transparency and integrity in stakeholder reporting.
g. Approving and implementing disclosure policy and monitoring its compliance with regulatory requirements.
h. Reviewing material transactions with the related parties, which are not in the ordinary course of business.
i. Nominating the members of the sub committees of the Board of Directors, specifying their roles, responsibilities, and powers.
j. Selecting Chief Executive Officer and other key executives from AGM level and upwards, specifying their roles, responsibilities, powers, and remuneration.
k. Evaluating the function of sub committees, Chief Executive Officer, and key employees.
l. Approving interim and annual financial statements.
m. Reporting to the shareholders in annual report about the going concern status of the company.
n. Approval of a proper delegation of power to executives covering entire range of functions like administrative powers, financial powers, and personnel powers...etc.
o. Prevent dealing in the shares of the company on the basis of undeclared or unrevealed information, by those who are, by virtue of their position, aware of such information.

Report on Corporate Governance for 2022 (continued)

1.2 Role and Responsibilities of the Management:

a. Rendering assistance in policy formulation and periodic review to the Board.
b. Responsibility for implementation: Management is responsible for implementation of banking laws, regulations and circulars issued by Central Bank of Oman and other regulatory authorities within the Sultanate of Oman.
c. Management is also responsible for implementation of Board approved policies by putting in place procedures, internal controls, risks and performance measurement methodologies, management information systems and reports to the Board.
d. Responsibility for transmitting correct and timely signals.
e. Acting professionally and expertise manifest.
f. Nurturing proper and ethical behavior.
g. Responsibility for complete and authentic reporting to the Board.
h. Responsibility for corporate image.

The company shall adhere to the best practices in respect of appointment of directors, disclosure of company's affairs, induction of new directors, appointment of key executives and fixing their remuneration, ensuring proper written delegation of authorities and operational procedures for the conduct of affairs of the company based on the principles detailed in Annexure 1 of the CMA code of Corporate Governance and regulations.

1.3 Internal Control Systems and their Adequacy:

The company has implemented various internal control systems in its financial operation and business operations. The Board of Directors has set up an Audit & Risk Management Committee of the Board having three of its Directors as its Members. This committee supervises the functions of the Internal Audit Department of the company and the Internal Audit Department reports directly to the Audit, Risk Compliance Management Committee of the Board maintaining its independence. There are well-defined policies and procedures for all financial and business transactions of the company. Internal Audit Department checks the financial transactions, business transactions, and regulatory compliances such as CBO and CMA systems and procedural audit and policy compliance. Further, it is ensured that no transaction in the company is completed by a single person and always a minimum of two persons are involved. Similarly, there is sufficient control exercised on computer systems, such as differentiating the development server from live server and access control of data. The company has well documented procedures for its operations to be managed with acceptable controls and the Board of Directors has found these controls to be effective.

Report on Corporate Governance for 2022 (continued)

2. Board of Directors

The company's Board of Directors consists of the following:

Executive Directors	NIL
Independent, Non-Executive Directors	1. Mr. Waseem Salah Qaraeen 2. Mr. Salman Hussain Salman AL-Lawati 3. Mr. Mohamed Mahmood Ahmed Al Raise
Non-independent, Non-Executive Directors	1. Mr. Mohamed Abdulla Al Khonji (Chairman) 2. Mr. Hassan Ihsan Naseeb Al Nasib (Deputy Chairman) 3. Mr. Hussam Hisham Omar Bostami 4. Mr. Fariborz Vessali

2.1 Directors' Profile

- **Mr. Mohamed Abdulla Al Khonji,** is a bachelor's in economics and graduated in 1994 from the University of Northern Colorado, USA. He is a major investor in several companies and real estate in Oman. Besides being the Chairman of the Board and Chairman of the Nomination Remuneration Executive Committee in United Finance Company SAOG, he is Deputy Chairman and member of the Executive Committee, at Takaful Oman Insurance SAOG he is the Deputy Chairman and a member of the Executive Committee at Oman Fiber Optic Company SAOC he is a Board Member and member of Audit Committee, Chairman of the Board and Chairman of Executive Committee in Oman Hotels & Tourism Company SAOC and Director at Salam Air SAOC. Apart from this he is also the Deputy Chairman of the Board & Chairman of Executive Committee at Al Khonji Group & Chairman of Al Khonji Invest LLC. and Chairman of Al Khonji Real Estate & Development LLC.

- **Mr. Hassan Ihsan Naseeb Al Nasib** has done a master's in military science. He has over 37 years of experience at the Ministry of Defense. He has contributed to the establishment of many of closed and limited liability companies. Currently, he is the Chairman of the Board in Oman Education & Training Investment Company SAOG, Global Financial Investment Holding Co. SAOG, and of Al Madina Logistics, and a member of the Board of OHI Group SAOC, member of Nomination Remuneration Executive Committee of United Finance Company SAOG and Board member of Al Shams Packing Company SAOG.

- **Mr. Hussam Hisham Omar Bostami** holds a Diploma in International Finance Standard (ACCA) and Bachelor of Administrative Sciences Degree from the Yarmouk University, Jordan, majoring in Accounting. He also holds a master's degree in Banking and Financial Studies from the Arab Academy for Banking and Financial Sciences, Jordan. He is also a Certified Compliance Officer from the American Academy of Financial Management. He has worked as Internal Auditor in both Amman Bank for Investment (Jordan) and the Oman Development Bank (Oman) and as Credit & Investment Officer in the Islamic International Arab Bank (Jordan). He currently holds the position of General Manager – Finance & Administration / Acting CEO with Global Financial Investment Holdings Co. SAOG, Oman. Besides being a board member and a member of the Nomination Remuneration Executive Committee in United Finance Company SAOG, he is also on the board of Construction Material Industries SAOG, Al Madina Logistic Services Co. SAOC and Al Sharqiyah University SAOC.

Report on Corporate Governance for 2022 (continued)

- **Mr. Waseem Salah Qaraeen** (Independent member) holds a Degree in Bachelor of Economics, Administration, Sciences (Accounting) from, Amman – Jordan. He also holds a master's certificate (MBA) from the Bedfordshire University in UK. With over 22 years of experience in the field of investment, and Internal and External Audit. and has experience in the local and overseas financial markets and has experience in the company's administration as well. He is member of several SAOG Companies.

- **Mr. Mohamed Mahmood Ahmed Al Raise** (Independent member) holding master of Science in Finance and Banking with more than 23 years professional experience in the National Bank of Oman and National Bank of Qater.

- **Mr. Fariborz Vessali** holds a bachelor's degree in Mechanical Engineering, a master's degree in Engineering Science from the University of New South Wales, Sydney and a master's degree of Business Administration from the University of Technology, Sydney. He is a proven leader with over 26 years of leadership and Executive Management experiences in various multinational companies. At present, he is the Chief Executive Officer of Oman Hotels and Tourism Company SAOC (OHTC) and a Board Member and Member of Nomination Remuneration Executive Committee of United Finance Company SAOG (UFC) and National Hospitality Institute (NHI).

- **Salman Hussain Salman Al-Lawati** (Independent member) holding Bachelors Manufacturing Engineering and MBA, with more than 11 years of professional Experience in the Oman Cable Industry and Investment Management in the International Financial market. He is Board members of Salam Air SAOC and Oman Fiber Optic Company. Currently he is working as partner at Bin Salman Investment.

Report on Corporate Governance for 2022 (continued)

2.2 Details of Attendance of Board Members for Board Meetings During 2022

		Board Meeting Dates					
	Board Member	**30/1/2022**	**31/3/2022**	**25/4/2022**	**24/7/2022**	**30/10/2022**	**20/12/2022**
1	Mr. Mohamed Abdulla Al Khonji	Yes	Yes	Yes	Yes	Yes	Yes
2	HE Hassan Ihsan Naseeb Al Nasib	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr. Hussam Hisham Omar Bostami	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr. Waseem Salah Qaraeen	Yes	Yes	Yes	Yes	Yes	Yes
5	Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani	Yes	-	-	-	-	-
6	Mr. Fairborz Vassali	Yes	Yes	Yes	Yes	Yes	Yes
7	Mr. Khalid Abdullah Salim Al-Eisri	Yes	-	-	-	-	-
8	Mr. Salman Husain Salman Al-Lawati	-	Yes	Yes	Yes	Yes	Yes
9	Mr. Mohamed Mahmood Ahmed Al Raise	-	Yes	Yes	Yes	Yes	Yes

- Mr. Salman Husain Salman Al-Lawati appointed by Shareholder on AGM held on 31.3.2022.
- Mr. Mohamed Mahmood Ahmed Al Raise appointed by Shareholder on AGM held on 31.3.2022.

Report on Corporate Governance for 2022 (continued)

2.3 Details of Attendance of Board Members for AGM During 2022

S.No	Board Member	AGM
1	Mr. Mohamed Abdulla Al Khonji, Chairman	Yes
2	HE. Hassan Ihsan Naseeb Al Nasib, Deputy Chairman	Yes
3	Mr. Hussam Hisham Omar Bostami	Yes
4	Mr. Waseem Salah Qaraeen	Yes
5	Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani	Yes
6	Mr. Fariborz Vessali	Yes
7	Mr. Khalid Abdullah Salim Al Eisri	Yes

2.4 Details of Membership of Other Boards:

		No. of Other Chairmanships, Directorships, and Memberships of Other Committees (excluding UFC)	
	Board Member	**Chairmanship in SAOG Co.**	**Directorship in SAOG Co.**
1	Mr. Mohamed Abdulla Al Khonji, Chairman	1	3
2	HE. Hassan Ihsan Naseeb Al Nasib, Deputy Chairman	2	1
3	Mr. Hussam Hisham Omar Bostami	-	2
4	Mr. Waseem Salah Qaraeen	-	2
5	Mr. Fariborz Vessali	-	1
6	Mr. Salman Husain Salman AL-Lawati	-	-
7	Mr. Mohamed Mahmood Ahmed Al Raise	-	-

3. Brief Description of Terms of Reference

3.1 Audit, Risk & Compliance Management Committee

- Considering the names of the statutory auditors in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement and recommending its name to the board for putting before AGM for appointment.
- Reviewing audit plan and results of the audit and ensuring that auditors have full access to all relevant documents information.
- Checking financial fraud particularly fictitious and fraudulent portions of the financial statement if any. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.

Report on Corporate Governance for 2022 (continued)

- Supervision of the internal audit function in general and with reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing, and reviewing as to whether internal auditors have full access to all relevant documents.
- Overseeing the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.
- Overseeing the financial statements in general and with reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. Change in accounting policies, principles, and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Accounting Standards (IAS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- Serving as a channel of communication between external auditors and the board and internal auditors and the board.
- Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
- Reviewing proposed specific transactions with related parties for making suitable recommendations to the board and setting rules for entering small value transactions with related parties without obtaining prior approval of audit committee and the board.
- Review and recommend suitable course of action to the Board or Management as deemed fit on reports submitted by Internal Auditor or an external / statutory authority on suspected frauds, if any, committed by staff members and / or borrowers.
- Review and ensure that ethical practices are followed.
- Review and ensure that the company complies with all legal requirements.
- Determine that internal systems and controls are adequate and effective.
- Ensure that institutional credit policies and procedures are followed.
- Recommend the selection of the external auditor in consultation with the Management.
- Review that the published financial statements are not misleading.
- Assess issues relating to conflicts of interest and related party transactions and to ensure compliance with regulatory norms.
- Evaluate in general the adequacy and reliability of information available for Management decisions.
- Review with the Company's counsels any legal matters that could have a material impact on the Company's financial statements, the Company's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.
- The audit committee shall hear the views of internal and external auditors separately, at least once every year, without the presence of the Management.
- The audit committee shall hear the views of the external auditors before forwarding the annual accounts to the board for approval.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Approve all audit and non-audit services.

Report on Corporate Governance for 2022 (continued)

3.2 Nomination Remuneration and Executive Committee

- Decide on all proposals exceeding management authority as per the Authorities Manual.
- Review Credit Policy and new Products and make recommendations to Board.
- Review management analysis for reasons, review follow up adequacy, discuss measures for avoidance of similar cases in future in relation to Non-performing accounts. It is expected that NPAs will be reviewed by this committee as specified under Authorities Manual.
- Review periodically, at least once in six months, the adequacy of provisions based on management reports.
- Submit to the Board an annual plan of action.
- Review the nominations for board membership received by the company and make suitable recommendations to the Board for further appropriate action, as per the local regulations / laws.
- Identify and nominate, for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession, with respect to the Chairman of the Board and the Chief Executive Officer.
- Prepare the detailed job description of the roles and responsibilities for the directors including the Chairman.
- Regularly review the Board structure, size, composition, competencies and make recommendations to the Board for adjustments that are deemed necessary, in order to ensure an adequate size and a well-balanced composition of the Board and to ensure that the required number of the Board members are independent, which will ensure formation of its committees as per regulation.
- Consider succession and emergency planning, considering the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board, reporting on these matters to the Board regularly.
- Review the leadership needs of the organization, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.
- Devise a procedure for periodic performance evaluation of the Board of Directors.
- Evaluate the balance of skills, knowledge, and experience on the Board, and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, before a director's appointment is made by the Board.
- Ensure the development of guidelines for selecting candidates for election / re-election to the Board, or to fill temporary vacancies on the Board; and
- Review terms of reference periodically for its effectiveness and recommend any changes to the Board, if required.
- Formulate "Succession Plan" for key senior managerial positions to ensure continuity in the Management, considering the challenges and opportunities facing the Company.
- Prepare succession policy or plan for the Board or at least for the Chairperson.
- Determine board remuneration, sitting fees etc., based on performance of the Board in compliance with statutory limits.
- Review and recommend the strategy and annual budgets to the Board.
- Review, recommend new products, opening of new branches, strategic alliances etc., to the Board.
- Consider future expansion and recommend construction of new building, including acquiring property to accommodate future needs.

Report on Corporate Governance for 2022 (continued)

- Formulate and recommend company's CSR strategy and plan and recommend it to the Board, in compliance with AOA and Code of Corporate Governance. Also, evaluate the effects of CSR initiatives
- Review Disaster Recovery and Business Continuity Plan of the company and apprise the changes, if any, to the Board. In case of disaster, provide guidance to the Management for smooth recovery and restoration of normalcy in operations.
- As per Board's direction, to obtain legal counsel, in matters of legal proceedings by / against the company for any matter, pursue the matters, and apprise the Board on proceedings.
- Provide feedback, concerns, and directions to the Management for performance, without actively participating in the operations.
- Encourage Management in promoting ethical behavior in the company. Approve Code of Ethics to be followed by board members and staff.
- Ensure that compliance culture is encouraged at all levels in the Management.

4. Details of Audit, Risk, Compliance Management Committee (ARCMC) and Nomination, Remuneration, Executive Committee (NREC) Activities During the Year:

4.1 Details of Attendance of Board Members for Audit, Risk, Compliance Committee Meetings During 2022.

	Name of the Member and their Representation in the Committee		
Date	Chairman of the Committee	Member of the Committee	Member of the Committee
	Mr. Waseem Sala Qaraeen	HE. Hassan Ihsan Naseeb Al Nasib	Mr. Salman Husain Salman Al-Lawati
27.1.2022	Yes	-	-
24.2.2022	Yes	-	-
24.4.2022	Yes	Yes	Yes
17.5.2022	Yes	Yes	Yes
21.7.2022	Yes	Yes	Yes
24.10.2022	Yes	Yes	Yes
18.12.2022	Yes	Yes	Yes
31.12.2022	Yes	Yes	Yes

Mr. Salman Husain Salman AL-Lawati appointed by shareholder on AGM held on 31.3.2022.

Report on Corporate Governance for 2022 (continued)

4.2 Details of Attendance of Board Members for Nomination, Remuneration, Executive Committee Meetings (NREC) During 2022

Date	Name of the Member and their Representation in the Committee			
	Chairman of the Committee	Member of the Committee	Member of the Committee	Member of the Committee
	Mr. Mohamed Abdulla Al Khonji	Mr. Hussam Hisham Omar Bostami	Mr. Fairborz Vassali	Mr. Mohamed AL- Raeisi
14.1.2022	Yes	Yes	Yes	-
24.3.2022	Yes	Yes	Yes	-
26.5.2022	Yes	Yes	Yes	Yes
18.7.2022	Yes	Yes	Yes	Yes
4.8.2022	Yes	Yes	Yes	Yes
14.9.2022	Yes	Yes	Yes	Yes
13.10.2022	Yes	Yes	Yes	Yes
6.11.2022	Yes	Yes	Yes	Yes
8.12.2022	Yes	Yes	Yes	Yes

Mr. Mohamed AL- Raise appointed by shareholder on AGM held on 31.3.2022.

5. Process of Nomination of the Directors

The company follows the provisions of the Commercial Companies Law, CMA guidelines and circulars that are relevant to the nomination of the Directors and Annual General Meetings and the guidelines from the Central Bank of Oman in respect of nomination of the members of the Board of Directors. Within these guidelines the company makes an effort to ensure that the composition of the Board provides people with competencies and skills to motivate high performing talent, strategic insight, expertise in finance, good understanding of management, ability for crisis management and industry specific experience.

6. Appraisal of the Performance of the Board of Directors

As per clause no 2(o) of the fourth principle of Corporate Governance codes, the Chairperson must arrange for an appraisal of the performance of the board impartially and independently by a third party and present for approval at the annual general meeting in accordance with a benchmark and standards set by the board or general meeting. Consequently, the shareholders have appointed Keynote Services LLC for carrying out this activity.

Report on Corporate Governance for 2022 (continued)

The Board evaluation exercise was undertaken by Keynote Services LLC in 2019 by administering a questionnaire. The questionnaire had quantitative as well as qualitative questions. It was followed up by interviews with the chairman. During the review, the team held discussions and sought clarifications with Non-executive as well as independent directors, CEO and board secretary. Observations were based on information and views provided by the board members through the questionnaire and those interviewed. The team made few recommendations based on the requirements of Oman Corporate Governance Code and best practices globally. The conclusions were submitted by the evaluation team to the Chairman of the board.

The evaluation criteria for the full board includes its role/participation in strategy formulation, succession planning, review of board composition, business oversight, governance process.

The board is effective in discharging its responsibilities and the Board processes are followed comprehensively. The board functioned in a smooth and constructive manner with free and open discussions amongst the board members.

7. Remuneration of Directors and 5 top Officials of the Company

7.1 The Board of Directors has been Paid an Amount of RO 70,500 as Sitting Fees.

	Board Member	Sitting Fees Paid RO
1	Mr. Mohamed Abdulla Al Khonji , Chairman	10,000
2	HE Hassan Ihsan Naseeb Al Nasib	10,000
3	Mr. Hussam Hisham Omar Bostami	10,000
4	Mr. Mohamed Mahmood Ahmed Al Raise	10,000
5	Mr. Salman Hussain Salman Al Lawati	8,000
6	Mr. Fairborz Vessali	8,500
7	Mr. Waseem Salah Qaraeen	10,000
8	Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani	2,000
9	Mr. Khalid Abdullah Salim Al Eisri	2,000

7.2 During the year the company incurred an annual cost, including variable component of RO 467,266/- in respect of its 5 top officials. (2021: RO 219,082/-).

The employment contracts of Management members are renewable every two years and severance notice period is three months. End of service benefits is payable as per Omani Labor Law.

The employment contracts of two officials are renewable every two years and severance notice period is one month. End of service benefits is payable as per Omani Labor Law.

Report on Corporate Governance for 2022 (continued)

7.3 Evaluation of Internal Auditors: Based on CMA circular No.10/2018 the Board nominated Regional Bureau of Auditors to conduct audit of Internal Auditors the report of Regional bureau of Internal audit is in conformance with IIA Standards, IPPF and CMA guidelines. Regional Bureau has recommended additional documentation to strengthen Internal audit processes which will be implemented going forward.

8. Details of Non-compliance by the Company

The company had no occasion to attract penalties or strictures from Muscat Securities Market and Capital Market Authority during the last 3 years. During 2022 and 2021 the company had no occasion to attract penalties from Central Bank of Oman.

9. Measuring Board Performance

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the annual general assembly meeting held on 31/3/2022 approve the criteria for measuring the performance of the Board of Directors of the Company. Accordingly an independent evaluator Abu Timam Grant Thornton was appointed to measure of performance of the Board according to the approval criteria in the said meeting and to present a performance report the shareholder at the AGM meeting for the financial year ended 31.12.2022.

10. Board of Directors Training

Board of Directors attend Comprehensive training course develop by local institute in the area of Corporate Governance, Legal, KPIs and leadership.

11. Means of Communication with the Shareholders and Investors:

- Quarterly results of the company are published in two leading newspapers in Arabic and English. Quarterly results in electronic format are also provided to Muscat Stock Exchange and are uploaded on its website and the same are available on the company's website www.ufcoman.com.
- Management Discussion and Analysis report forms part of the Annual Report.

Report on Corporate Governance for 2022 (continued)

12. Market Price Data

2022 / Month	High	Low	Close	No. of Days traded	No. of Shares traded	Financial Sector MSX Index (Monthly Average)
January	0.064	0.064	0.064	146	3,006,420	6553.273
February	0.085	0.080	0.082	1342	72,621,736	6441.757
March	0.096	0.084	0.094	613	76,970,940	6763.356
April	0.099	0.097	0.098	381	17,066,550	6600.616
May	0.098	0.098	0.098	52	772,362	6557.927
June	0.094	0.088	0.094	64	1,132,220	6614.988
July	0.095	0.090	0.095	34	528,216	7275.027
August	0.088	0.084	0.088	198	3,145,625	7351.075
September	0.092	0.088	0.092	13	194,916	7216.931
October	0.062	0.062	0.062	194	9,751,445	6989.515
November	0.065	0.064	0.064	318	19,850,913	7489.974
December	0.068	0.066	0.068	276	10,108,486	7903.369

Shares are quoted based on RO 0.100 as par value

12.1 Distribution of Shareholding:

Shareholders (5% and above) as on 31.12.2022

Sl.No.	Name	Nationality	Class of Equity	No. of Shares	%
1	Oman Hotels &Tourism Company SAOC	Omani	Ordinary	117,234,793	33.58%
2	Global Financial Investment Holding SAOG	Omani	Ordinary	87,286,051	25.00%
3	Al Saud Company Ltd - Ubar Financial Investment	Emirati	Ordinary	26,331,515	7.54%
4	Oman Holdings International Company SAOC	Omani	Ordinary	19,731,704	5.65%
	Total			**250,584,063**	**71.77%**
	Others			**98,560,347**	**28.23%**
	Grand Total			**349,144,410**	**100%**

Report on Corporate Governance for 2022 (continued)

13. Related Party Transactions

The company adopts the highest degree of transparency and clarity for related party transactions. All such transactions are subject to review of the audit committee and approval of the board of directors and where required, by shareholders in Annual General Meeting.

The details of such transactions, where required, will be sent to every shareholder along with the notice to general meeting covering the related party transaction detail. These transactions will also be disclosed in detail in the company's annual report.

14. Professional Profile of EY: Statutory Auditor

Profile of Statutory Auditors

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,500 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,853 partners and approximately 132,455 professionals. Globally, EY operates in more than 150 countries and employs 312,000 professionals in 700 offices. Please visit ey.com for more information about EY.

Details of Audit & Other Fees for the Year 2022

Audit fees	RO.27,500

15. Corporate Social Responsibility

We are committed to responsible business. This means, running United Finance Company SAOG in a way that our employees can be proud of, ensuring financial strength and transparency for our shareholders, putting our customers first, and delivering long-term value to our environment and society.

Our vision is to be a responsible business working with its customers and stakeholders to help meet society challenges.

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Our vision is to be a responsible business working with its customers and stakeholders to help meet society challenges.

Report on Corporate Governance for 2022 (continued)

16. Acknowledgement by Board of Directors

The Board acknowledges that:

- The financial statements have been prepared consistently in accordance with the International Financial Reporting Standards (IFRS) as applicable to the Company to fairly reflect the financial position of the Company and its performance during the relevant financial period.
- Financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future.
- It has reviewed the Company's systems of internal controls and risk management for the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Mohamed Abdulla Al Khonji
Chairman

Annual Report 2022

For the Year Ended 31 December 2022

Financials

Independent Auditor's Report to the Shareholders of United Finance Company SAOG

Building a better working world

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Finance Company SAOG (the "Company") which comprise the statement of financial position as at 31 December 2022, and the related statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including international Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Building a better working world

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Determination of Impairment on Installment Finance Debtors

Key Audit Matters	How our Audit Addressed the Key Audit Matters
At 31 December 2022, the Company reported installment finance debtors amounting to RO 99.15 million, RO 8.99 million of impairment on installment finance debtors and RO 1.93 million of unrecognized contractual income on installment finance debtors. The key areas of judgement include: • The assumptions regarding the economic outlook, which remain uncertain. • The identification of exposure with a significant deterioration in credit quality. • Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows etc. • The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model. Due to the inherently judgmental nature of the computation of ECL on installment finance debtor, we have considered impairment provision on installment finance debtor for customers as a key audit matter. The accounting policies relating to estimating impairment on installment finance debtors, critical accounting estimates and judgements, the disclosures relating to the impairment on installment finance debtors associated with credit risk are set out in notes 3, 4, 13 and 30 to the financial statements.	Our audit procedures in this area included the following: • Evaluated the appropriateness of the Company's IFRS 9 based allowance for impairment policy and compared it with the requirements of IFRS 9; • Obtained an understanding of the design and tested the operating effectiveness of relevant controls over impairment model, including model build and approval, ongoing monitoring / validation, model governance and mathematical accuracy. We have also checked completeness and accuracy of the data used and management assumptions; • Evaluated the Company's key judgments and estimates made in the impairment computation and involved specialists to assist in evaluating the judgments and estimates relating to probability of default, macro-economic variables and recovery rates; • For a sample of exposures, we performed procedures to evaluate: - Appropriateness of exposure at default, probability of default and loss given default in the calculation of impairment; - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Company's staging; and - Overlays considered by the management in view of the uncertain economic outlook; and - Impairment calculation • Checked the completeness of the investment in finance debtors (including off balance sheet items) in the impairment calculation as of 31 December 2022. We understood the methodology and tested the mathematical integrity of the models;

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Determination of Impairment on Installment Finance Debtors (continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matters
	• Checked the consistency of various inputs and assumptions used by the Company's management to determine the impairment; and • Considered the adequacy of the disclosures in the financial statements in relation to impairment on installment finance debtors and other financial assets subject to credit risk as required under IFRS 9.

Other Information Included in the Company's 2022 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2022 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2022 Annual Report after the date of our auditor's report:

- Board of Directors Report
- Corporate Governance Report
- Management Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and those Charged with Governance for the Financial Statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards so applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

B Shukla Ernst & Young LLC

Binay Shukla
Muscat
14 March 2023

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2022

	Notes	**2022 RO**	2021 RO
Interest income on installment finance income	5	**7,711,497**	8,191,013
Interest expense	6	**(1,767,572)**	(1,940,915)
Net installment finance income		**5,943,925**	6,250,098
Fee commission and other income	7	**604,429**	536,306
Net operating income		**6,548,354**	6,786,404
Operating expenses	8	**(3,858,037)**	(3,069,545)
Depreciation	15	**(95,306)**	(95,004)
Allowance for expected credit losses	13	**(708,860)**	(1,302,729)
Profit before tax		**1,886,151**	2,319,126
Income tax expense	9	**(282,924)**	(405,385)
PROFIT FOR THE YEAR		**1,603,227**	1,913,741
Other comprehensive income			
Other comprehensive income that will not be reclassified to the income statement			
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income	14	**170,000**	-
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,773,727**	1,913,741
Basic and diluted earnings per share	23	**0.005**	0.005

The attached notes 1 to 32 form part of these financial statements.

Statement of Financial Position

at 31 December 2022

	Notes	**2022 RO**	2021 RO
ASSETS			
Cash and cash equivalents	10	1,007,164	896,294
Deposit with the Central Bank of Oman	11	250,000	250,000
Other receivables and prepaid expenses	12	464,439	106,977
Installment finance debtors - net	13	88,236,802	80,301,718
Investment securities	14	724,150	554,150
Deferred tax asset	9	16,923	16,923
Property and equipment	15	2,312,742	2,330,284
TOTAL ASSETS		**93,012,220**	84,456,346
EQUITY			
Share capital	16	34,914,441	34,914,441
Share premium reserve	17	528,402	528,402
Legal reserve	18(a)	5,252,136	5,091,813
Special reserve	18(b)	2,368,989	2,368,989
Impairment reserve	18(c)	1,911,736	1,911,736
Investment revaluation reserve	14	170,000	-
Retained earnings		2,906,214	2,510,743
Total equity		**48,051,918**	47,326,124
Liabilities			
Creditors and other payables	19	5,109,438	4,820,934
Borrowings	20	36,205,556	27,947,227
Taxation	9	295,308	362,061
Corporate deposits	21	3,350,000	4,000,000
Total liabilities		44,960,302	37,130,222
TOTAL EQUITY AND LIABILITIES		**93,012,220**	84,456,346
NET ASSETS PER SHARE	24	**0.138**	0.136

The financial statements were approved and authorized for issue by the Board of Directors on 6 March 2023 and were signed on their behalf by:

Chairman

Director

Chief Executive Officer

The attached notes 1 to 32 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2022

	Share capital RO	Share premium reserve RO	Legal reserve RO	Special reserve RO	Foreign currency reserve RO	Impairment reserve RO	Investment revaluation reserve RO	Retained earnings RO	Total RO
At 1 January 2021	34,914,441	528,402	4,900,439	2,368,989	294,514	1,911,736	-	493,862	45,412,383
Profit and other comprehensive income for the year	-	-	-	-	-	-	-	1,913,741	1,913,741
Transfer from foreign currency reserve	-	-	-	-	(294,514)	-	-	294,514	-
Transfer to legal reserve	-	-	191,374	-	-	-	-	(191,374)	-
At 31 December 2021	34,914,441	528,402	5,091,813	2,368,989	-	1,911,736	-	2,510,743	47,326,124
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,603,227**	**1,603,227**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**170,000**	**-**	**170,000**
Dividend paid during the year (note 22)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,047,433)**	**(1,047,433)**
Transfer to legal reserve	**-**	**-**	**160,323**	**-**	**-**	**-**	**-**	**(160,323)**	**-**
At 31 December 2022	**34,914,441**	**528,402**	**5,252,136**	**2,368,989**	**-**	**1,911,736**	**170,000**	**2,906,214**	**48,051,918**

The attached notes 1 to 32 form part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2022

	Notes	2022 RO	2021 RO
Profit before tax		**1,886,151**	2,319,126
Adjustments for:			
Depreciation	15	**95,306**	95,004
Allowance for expected credit losses	13	**708,860**	1,302,729
Provision for end of service benefits	19.1	**36,411**	36,208
Operating profit before working capital changes		**2,726,728**	3,753,067
Installment finance debtors:			
Disbursements		**(43,912,932)**	(37,822,944)
Principal repayments received		**35,268,987**	41,534,485
Other receivables and prepayments		**(357,463)**	32,586
Creditors and other payables		**277,404**	1,645,862
Net working capital changes		**(8,724,004)**	5,389,989
End of service benefits paid	19.1	**(25,309)**	(61,112)
Income taxes paid	9	**(349,677)**	(129,657)
Net cash flows (used in) / generated from operating activities		**(6,372,262)**	8,952,287
Investing activities			
Purchase of property and equipment	15	**(77,764)**	(35,765)
Net cash flows used in investing activities		**(77,764)**	(35,765)
Financing activities			
Long-term loans received	20	**20,500,000**	7,950,000
Long-term loans repaid	20	**(14,591,671)**	(19,570,834)
Net movement in short-term loans	20	**2,350,000**	3,500,000
Net movement in corporate deposits	21	**(650,000)**	-
Dividends paid	22	**(1,047,433)**	-
Net cash flows generated from / (used in) financing activities		**6,560,896**	(8,120,834)
Net change in cash and cash equivalents		**110,870**	795,688
Cash and cash equivalents at the beginning of the year		**896,294**	100,606
Cash and cash equivalents at the end of the year	10	**1,007,164**	896,294

The attached notes 1 to 32 form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 31 December 2022

1. Legal Status and Principal Activities

United Finance Company SAOG ("the Company") is an Omani Joint Stock Company incorporated on 1 May 1997, licensed by the Central Bank of Oman and registered under the Commercial Companies Law of the Sultanate of Oman.

The Company is principally involved in providing vehicle and equipment financing and is also licensed to provide composite loans, bridge loans, hire purchase, debt factoring and financing of receivables and leasing in the Sultanate of Oman. The Company has its Head Office in Muscat with branches in Ibra, Ibri, Firq, Sohar, Salalah, Barka and Mawelah, all located within the Sultanate of Oman. The registered address of the Company is PO Box 3652, Postal Code 112, Ruwi, Sultanate of Oman. The Company has a primary listing on the Muscat Stock Exchange.

Statement of Compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financing Reporting Interpretation Committee (IFRIC) of the IASB, relevant requirements of the Commercial Companies Law, as amended, Capital Market Authority and the applicable regulations of the Central Bank of Oman (CBO) of the Sultanate of Oman.

2. Adoption of New and Revised International Financial Reporting Standards (IFRS)

2.1 New and Amended IFRS Applied with no Material Effect on the Financial Statements
The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these financial statements.

New and Amended Standards and Interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfill the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Company had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Company in determining the costs of fulfilling the contracts. In accordance with the transitional provisions, the Company applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

2. Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)
2.1 New and Amended IFRS Applied with no Material Effect on the Financial Statements (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

2. Adoption of New and Revised International Financial Reporting Standards (IFRS) (continued)
2.1 New and Amended IFRS Applied with no Material Effect on the Financial Statements (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the year.

IAS 41 Agriculture – Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

2.2 New and Amended IFRSs in Issue but not yet Effective and not Early Adopted

The Company has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 – Insurance contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation
The financial statements are prepared under the historical cost convention and modified to include the application of fair value measurements that are required or allowed by relevant accounting standard.

The statement of financial position is presented in order of liquidity, as this presentation is more appropriate to the Company's operations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 4.

Foreign Currency Transactions

Functional and presentation currency
The accounting records are maintained in Rial Omani (RO) which is the functional and presentation currency for these financial statements.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Recognition of Interest Income and Expenses

Effective interest rate
Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Recognition of Interest Income and Expenses (continued)

Effective interest rate (continued)

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an Integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or a financial liability is the amount at which the financial asset or the financial liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance or impairment allowance.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis;

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Fee Commission and Other Income
The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Company's revenue contracts do not include multiple performance obligations. When the Company provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Dividend income from equity instruments measured at FVOCI is recorded in profit or loss when the right to the payment has been established.

The Company receives fixed annual fees for providing specific administrative tasks in relation to certain assets it has transferred and derecognized. These services include collecting cash flows from borrowers and remitting them to beneficial interest holders, monitoring delinquencies and executing foreclosures. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognized as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received monthly in advance.

Property and Equipment
Property and equipment are stated at historical cost, less accumulated depreciation. Cost represents purchase cost together with any incidental costs of acquisition. Land is not depreciated. The cost of property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

	Years
Motor vehicles	3
Furniture and office equipment	3 - 6
Buildings	2 - 20

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are recognized in the statement of comprehensive income.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Financial Assets and Financial Liabilities

i) Recognition and Initial Measurement

Date of Recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to customers when funds are transferred to the Company.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognized in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Bank has assessed that amortizing the deferred amount on a straight–line basis is appropriate. Any outstanding amount is immediately recognized in profit or loss when the instrument is derecognized or when the input(s) becomes observable.

ii) Classification

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)
Financial Assets and Financial Liabilities (continued)
ii) Classification (continued)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business Model Assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Financial Assets and Financial Liabilities (continued)

ii) Classification (continued)

Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Investment securities

The 'investment securities' caption in the statement of financial position includes:

- equity investment securities designated as at FVOCI.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)
Financial Assets and Financial Liabilities (continued)

ii) Classification (continued)

Reclassifications

Financial Assets
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial Liabilities
The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

Trade and Settlement Date Accounting
Purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

iii) Derecognition

Derecognition of Financial Assets
A financial asset (in whole or in part) is derecognized where:

i. the right to receive cash flows from the asset have expired; or
ii. the Company has transferred it rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
iii. either (i) the Company has transferred substantially all the risks and rewards of ownership, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control over the asset or a proportion of the asset.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognized as a separate asset or liability.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)
Financial Assets and Financial Liabilities (continued)

(iv) Modifications of Financial Assets and Financial Liabilities

Financial Assets
If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognized, then impairment of the asset was measured using the pre-modification interest rate.

Financial Liabilities
The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss.

Installment Finance Debtors
'Installment finance debtors' captions in the statement of financial position include loans and advances measured at amortized cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

(v) Impairment
The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

The Company assesses the ECL impact on the bank deposits at each reporting date and the impact of ECL is found to be immaterial, therefore no impact is recorded in these financial statements.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Financial Assets and Financial Liabilities (continued)

(v) Impairment (continued)

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12 months ECL:

- other financial instruments (including lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Financial Assets and Financial Liabilities (continued)

(v) Impairment (continued)

Credit-impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness; and
- The country's ability to access the capital markets for new debt issuance.

Presentation of Allowance for ECL in the Statement of Financial Position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: As a provision under creditors and other payables;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Cash and Cash Equivalents

All bank balances with maturity of three months or less from the date of placement are considered to be cash equivalents.

Borrowings and Corporate Deposits

Borrowings and corporate deposits are recognized initially at fair value, net of transaction costs incurred.

After initial recognition, interest bearing borrowings and corporate deposits are subsequently carried at amortized cost using the effective interest method.

End of Service Benefits and Leave Entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labor Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in creditors and other payables in the statement of financial position.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognized as an expense in the statement of comprehensive income as incurred.

Creditors and Other Payables

Creditors and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Provisions

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Financial Guarantees

In the ordinary course of business, the Company's bankers issue financial guarantees to the Company's customers on behalf of the Company that are stated as contingent liabilities in the Companys' financial statements till it is cancelled or expired. In the event the bank invokes the guarantee, the Company pays the guarantee amount and debits the customers account, which would form part of the main statement of financial position.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)

Dividend Distribution
Dividend distribution to the Company's shareholders is recognized as a liability in the year in which the dividends are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee that makes strategic decisions.

Earnings Per Share
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Fair Value Estimation
For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Directors' Remuneration
The Directors' remuneration is governed as set out in the Memorandum of Association of the Company, the Commercial Companies Law and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees in compliance with applicable regulations.

Taxation
Taxation is provided in accordance with Omani fiscal regulations. Income tax comprises current and deferred tax. Income tax expense is recognized in the profit or loss except to the extent that it relates to items recognized directly in equity or statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

3. Significant Accounting Policies (continued)
Taxation (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on laws that have been enacted at the reporting date. Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Critical Accounting Estimates and Judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed by the Company to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Business models and SPPI assessment
Determining the appropriate business models and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements. Details of the Company's classification of financial assets and liabilities are given in significant accounting policies in note 3 to the financial statements.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 30 to the financial statements, which also sets out key sensitivities of the ECL to changes in these elements.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

4. Critical Accounting Estimates and Judgements (continued)

Measurement of the expected credit loss allowance (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Companys of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas is set out in note 30 to the financial statements.

Allowance for expected credit losses– Stage 3 loans

The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

The Company reviews its Installment finance debtors to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debtors before the decrease can be identified with an individual debtor in that portfolio. This takes into consideration factors such as any deterioration in industry, collateral value and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Income tax

The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of tax assessments. The amount of such provisions is based on factors such as experience of previous tax assessments and interpretations of tax regulations by the Management and the responsible tax authority.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using certain valuation techniques, derived from observable market data where possible. Where observable market data are not available, judgment is used to establish fair values.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

4. Critical Accounting Estimates and Judgements (continued)

Going concern
The Company's management has made an assessment of its ability to continue as going concern and is satisfied that it has the resources to continue in business for foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Interest Income on Installment Finance Income

	2022 RO	2021 RO
Interest income on installment finance debtors	**7,711,497**	8,191,013

Included in interest income on installment finance debtors are the corresponding adjustment to the amounts recorded in the statement of financial position, reflecting changes to the Company's EIR assumptions, incorporating the characteristics, and expected behavior of the balances.

6. Interest Expense

	2022 RO	2021 RO
Interest expense on borrowed funds	**1,767,572**	1,940,915

7. Fee Commission and Other Income

	2022 RO	2021 RO
Documentation fees	**205,034**	109,597
Bad debts recovered	**105,457**	159,279
Insurance commission income	**99,896**	92,212
Penalties charged	**86,734**	71,493
Foreclosure charges	**63,431**	58,549
Dividend income	**39,938**	40,645
Others	**3,939**	4,531
	604,429	536,306

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

8. Operating Expenses

	2022 RO	2021 RO
Staff costs (note 8.1)	**2,406,389**	2,094,307
Repairs and maintenance	**198,140**	184,880
Insurance	**187,914**	121,329
Fees and charges	**186,879**	68,714
Communication and traveling	**158,719**	151,986
Statutory and legal expenses	**116,121**	81,908
Advertising and business promotion expenses	**110,618**	22,780
Directors' remuneration	**80,000**	-
Directors' sitting fees (note 26)	**70,500**	70,000
Bank charges	**62,154**	65,747
Rent	**61,228**	47,878
Utilities	**35,920**	28,000
Others	**183,455**	132,016
	3,858,037	3,069,545

8.1 Staff Costs

	2022 RO	2021 RO
Wages and salaries	**2,047,900**	1,727,668
Other benefits	**184,638**	209,543
Contributions towards the Public Authority for Social Insurance	**137,440**	120,888
End of service benefits (note 19.1)	**36,411**	36,208
	2,406,389	2,094,307

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

9. Taxation

Charge in the Statement of Comprehensive Income is as Follows:

	2022 RO	2021 RO
Statement of comprehensive income:		
Tax charge:		
Current tax	**282,924**	347,870
Adjustment in respect of current income tax of prior years	**-**	57,515
Deferred tax	**-**	-
	282,924	405,385

	2022 RO	2021 RO
Breakup of tax liability and deferred tax asset are as follows:		
Current liability		
Current year	**282,924**	347,870
Adjustment in respect of current income tax of prior years	**12,384**	14,191
	295,308	362,061
Deferred tax asset		
At 1 January	**16,923**	16,923
Movement during the year	**-**	-
At 31 December	**16,923**	16,923
The deferred tax asset comprises of the following temporary differences		
Depreciation on property and equipment	**16,923**	16,923

The reconciliation of the tax on accounting profit at the applicable rate of 15% (2021: 15%) and the taxation charge in the financial statements is as follows:

	2022 RO	2021 RO
Profit before taxation	**1,886,151**	2,319,126
Taxation at the applicable tax rate	**282,924**	347,870
Add / (less) tax effect of:		
Adjustment in respect of current income tax of prior years	**-**	57,515
Tax expense	**282,924**	405,385

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

9. Taxation (continued)

	2022 RO	2021 RO
The movement in the current tax liability is as follows:		
At 1 January	**362,061**	86,333
Charge for the year	**282,924**	405,385
Paid during the year	**(349,677)**	(129,657)
At 31 December	**295,308**	362,061

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. The Company's tax assessments have been agreed with the tax authorities up to tax year 2020.

10. Cash and Cash Equivalents

	2022 RO	2021 RO
Bank and cash balances	**1,007,164**	896,158
Call deposits	**-**	136
Bank and cash balances	**1,007,164**	896,294

The Company has assessed the ECL impact on the bank deposits and the impact of ECL is found to be immaterial, therefore no impact is recorded in these financial statements. All these deposits in the bank accounts are made with respectable commercial banks in Oman.

11. Deposits with the Central Bank of Oman

The deposit represents a capital deposit with the Central Bank of Oman made in accordance with the Banking Law of 1974. The deposit is only repayable if the Company terminates its Installment finance business within the Sultanate of Oman and settles all outstanding obligations and claims arising from that business. During the year, the deposit earned interest at the rate of 1.5 % (2021: 1.5%) per annum. This balance is subject to credit risk and are subject to expected credit loss measurement. Please refer note 30.

12. Other Receivables and Prepaid Expenses

	2022 RO	2021 RO
Prepaid expenses	**152,951**	22,275
Advances	**292,478**	83,355
Other receivables	**19,010**	1,347
	464,439	106,977

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

13. Installment Finance Debtors

All debts are due from individuals, partnership firms and corporate bodies operating within the Sultanate of Oman. The maturity profile of debts outstanding at the reporting date is disclosed in note 30 to these financial statements.

Installment Finance Debtors Arising from Financing Activities

	2022 RO	2021 RO
Gross Installment finance debtors	**114,506,912**	111,394,802
Unearned finance income	**(16,036,952)**	(13,192,767)
Net Installment finance debtors	**98,469,960**	98,202,035
Debt factoring activity debtors	**683,578**	330,756
	99,153,538	98,532,791
Less: Allowance for expected credit losses	**(8,989,869)**	(15,345,202)
Less: Unrecognized contractual income	**(1,926,867)**	(2,885,871)
	88,236,802	80,301,718

Debt factoring activity debtors include amounts advanced to clients in respect of debts factored, interest on the amounts advanced and related charges. In the event of default in settlement of debts factored by customers of the client, the Company has recourse to the client.

The table below represents analysis of gross installment finance debtors and present value of installment finance debtors for each of the following categories:

	Up to 1 year RO	**1 to 5 years RO**	**Above 5 years RO**	**Total RO**
At 31 December 2022				
Gross Installment finance debtors finance and debt factoring activities debtors	**47,268,132**	**64,290,319**	**3,632,039**	**115,190,490**
Installment finance and debt factoring activities debtors net of unearned interest	**40,895,344**	**54,998,116**	**3,260,078**	**99,153,538**
At 31 December 2021				
Gross Installment finance debtors finance and debt factoring activities debtors	54,704,523	54,676,628	2,344,407	111,725,558
Installment finance and debt factoring activities debtors net of unearned interest	49,229,775	47,171,163	2,131,853	98,532,791

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

13. Installment Finance Debtors (continued)

Movement in Allowance for Expected Credit Losses

The movement in the allowance for expected credit losses and reserved interest for the year was as follows:

	ECL RO	Reserve Interest RO	Total RO
At 1 January 2022	**15,345,202**	**2,885,871**	**18,231,073**
Charged during the year	**4,090,620**	**505,525**	**4,596,145**
Released during the year	**(3,381,760)**	**(374,205)**	**(3,755,965)**
Written Off during the year	**(7,064,193)**	**(1,090,324)**	**(8,154,517)**
At 31 December 2022	**8,989,869**	**1,926,867**	**10,916,736**
At 1 January 2021	14,042,473	3,800,320	17,842,793
Charged during the year	4,537,026	574,285	5,113,962
Released during the year	(3,234,297)	(1,488,734)	(4,725,682)
At 31 December 2021	15,345,202	2,885,871	18,231,073

Movement in Unearned Finance Income

	2022 RO	2021 RO
Opening balance	**13,192,767**	12,945,440
Addition during the year	**12,005,591**	8,067,538
Interest accrued/reversed during the year	**(9,161,406)**	(7,820,211)
Closing balance	**16,036,952**	13,192,767

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

13. Installment Finance Debtors (continued)

Movement in Installment Finance Debtors and Expected Credit Losses

The table below gives the movement in Installment finance debtors and expected credit losses For the Year Ended 31 December 2022:

Installment finance debtors	**Stage 1 RO**	**Stage 2 RO**	**Stage 3 RO**	**Total RO**
As at 01 January 2022	**69,567,644**	**2,676,274**	**26,288,873**	**98,532,791**
Additions	**43,912,932**	**-**	**-**	**43,912,932**
Repayment	**(32,518,477)**	**(73,371)**	**(2,545,820)**	**(35,137,668)**
Written Off			**(8,154,517)**	**(8,154,517)**
Transfer between stages				
Stage 1	**(9,195,295)**	**2,993,947**	**6,201,348**	**-**
Stage 2	**1,696,982**	**(2,318,934)**	**621,952**	**-**
Stage 3	**672,273**	**63,212**	**(735,485)**	**-**
As at 31 December 2022	**74,136,059**	**3,341,128**	**21,676,351**	**99,153,538**

Installment finance debtors	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
As at 01 January 2021	68,308,871	7,543,560	27,306,349	103,158,780
Additions	37,822,945	-	-	37,822,945
Repayment	(38,542,474)	(613,285)	(3,293,175)	(42,448,934)
Transfer between stages				
Stage 1	(4,031,022)	2,034,903	1,996,119	-
Stage 2	4,767,036	(6,461,484)	1,694,448	-
Stage 3	1,242,288	172,580	(1,414,868)	-
As at 31 December 2021	69,567,644	2,676,274	26,288,873	98,532,791

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

13. Installment Finance Debtors (continued)

Movement in Installment Finance Debtors and Expected Credit Losses (continued)

Expected credit losses	**Stage 1 RO**	**Stage 2 RO**	**Stage 3 RO**	**Total RO**
As at 01 January 2022	**1,775,073**	**575,468**	**15,880,532**	**18,231,073**
Additions				
Release	**(1,306,779)**	**166,554**	**1,980,405**	**840,180**
Written Off			**(8,154,517)**	**(8,154,517)**
Repayment				
Transfer between stages				
Stage 1	**(301,590)**	**209,205**	**92,385**	**-**
Stage 2	**319,812**	**(477,369)**	**157,557**	**-**
Stage 3	**104,801**	**19,423**	**(124,224)**	**-**
As at 31 December 2022	**591,317**	**493,281**	**9,832,138**	**10,916,736**

Expected credit losses	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
As at 01 January 2021	603,648	286,553	16,952,592	17,842,793
Net charge/ (release) in ECL	890,188	471,841	(973,749)	388,280
Transfer between stages				
Stage 1	(45,680)	23,467	22,213	-
Stage 2	110,933	(225,387)	114,454	-
Stage 3	215,984	18,994	(234,978)	-
As at 31 December 2021	1,775,073	575,468	15,880,532	18,231,073

14. Investment Securities

	2022 RO	2021 RO
Al-Soor International Holding Company (Kuwait) (note 14.1)	**724,149**	554,149
National Bureau of Commercial Information	**1**	1
	724,150	554,150

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

14. Investment Securities (continued)

14.1 These represent unquoted investments classified as fair value through other comprehensive income. The fair value of investment in the unquoted security (Al Soor International Holding Company LLC) was performed as of 31 December 2022. The fair value of unquoted security was determined based on market value method (Level 3 fair value hierarchy).

During this year the increase in fair value of investment is recorded by RO 170,000 (2021: nil) which is recorded as unrealized gain in investment securities in the other comprehensive income.

The percentage of holding by the Company in Al Soor International Holding Company LLC is 0.8% (2021: 0.8%).

15. Property and Equipment

	Land RO	Buildings RO	Furniture and equipment RO	Total RO
Cost				
1 January 2021	1,969,215	769,966	1,308,289	4,047,470
Additions	-	-	35,765	35,765
1 January 2022	**1,969,215**	**769,966**	**1,344,054**	**4,083,235**
Additions	**-**	**-**	**77,764**	**77,764**
31 December 2022	**1,969,215**	**769,966**	**1,421,818**	**4,160,999**
Depreciation				
1 January 2021	-	522,246	1,135,701	1,657,947
Charge for the year	-	38,491	56,513	95,004
1 January 2022	**-**	**560,737**	**1,192,214**	**1,752,951**
Charge for the year	**-**	**38,491**	**56,815**	**95,306**
31 December 2022	**-**	**599,228**	**1,249,029**	**1,848,257**
Carrying value				
31 December 2022	**1,969,215**	**170,738**	**172,789**	**2,312,742**
31 December 2021	1,969,215	209,229	151,840	2,330,284

The Company's bankers hold a pari passu charge over substantial portion of assets of the Company for the credit facilities granted.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

16. Share Capital

Share capital comprises 349,144,411 (2021: 349,144,411) fully paid shares of RO 0.100 each. The Company's authorized share capital is RO 50,000,000 (2021: RO 50,000,000).

The shareholders who own 5% or more of the Company's shares are as follows:

	Number of shares		Percentage of holding (%)	
	2022	2021	**2022**	2021
Oman Hotels and Tourism Company SAOC	**117,234,793**	117,234,793	**33.58**	33.58
Global Financial Investments Holding SAOG	**87,286,051**	44,747,501	**25.00**	12.82
Al Saud Company Ltd – Ubar Financial Investment	**26,331,515**	26,331,515	**7.54**	7.54
Oman Holdings International Company SAOC	**19,731,704**	19,731,704	**5.65**	5.65

17. Share Premium Reserve

The share premium account represents the balance of share premium collected by the Company at the time of rights issue and conversion of optional convertible bonds during 2008.

18. Reserves

(a) Legal Reserve
In accordance with Article 132 of the Commercial Companies Law, as amended, the Company sets aside ten percent of the net profits, after deduction of taxes, for establishing a legal reserve until such legal reserve amounts to at least one third of the Company's share capital. Such legal reserve may be used for covering the Company's losses and the increase of its share capital by way of issuing shares and it shall not be distributed to the shareholders as dividends except where the Company reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction.

(b) Special Reserve
As per policy, the Company creates a special reserve to the extent of 1% of loans disbursed each year till it reaches 2% of the net Installment finance debtors. The special reserve is being maintained to cover any delinquencies arising from unforeseen contingencies. During 2022, the Company has not made any transfer to special reserve (2021: Nil).

Special reserve is not available for distribution without prior approval of the Central Bank of Oman.

(c) Impairment Reserve
As per Circular BM 1149 of the guidelines issued by the Central Bank of Oman, the Company is required to create an impairment reserve in equity for an amount equal to excess of the provision for non-performing loans computed under CBO guidelines compared to provisions for expected credit losses computed under IFRS 9 on Installment finance debtors. However, as per circular BSD/CB & FLCs/2022/001 dt. 12 January 2022 Central Bank of Oman has temporarily suspended two track approach/ parallel run for the computation of additional provisions as per CBO norms for the financial year 2022. Therefore, the Company has continued with impairment reserve of RO 1.91 million as at reporting date (2021: RO 1.91 million).

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

19. Creditors and Other Payables

	2022 RO	2021 RO
Trade creditors	**3,483,430**	3,218,265
Other Payables	**514,930**	623,036
Advances received from customers	**408,938**	245,511
End of service benefits (note 19.1)	**324,904**	313,802
Accrued expenses	**290,450**	246,161
Interest payable	**86,786**	174,158
	5,109,438	4,820,934

19.1 End of Service Benefits

	2022 RO	2021 RO
At 1 January	**313,802**	338,706
Charge for the year	**36,411**	36,208
Payments made during the year	**(25,309)**	(61,112)
At 31 December	**324,904**	313,802

20. Borrowings

	2022 RO	2021 RO
Short-term loans	**20,350,000**	18,000,000
Current portion of long-term loans	**9,411,111**	9,869,449
Bank overdrafts (note 10)	**-**	-
Short-term borrowings	**29,761,111**	27,869,449
Non - current portion of term loans	**6,444,445**	77,778
	36,205,556	27,947,227

The Company borrows from reputable commercial banks in the Sultanate of Oman. These loans are secured through a pari passu charge over substantial portion of assets of the Company. In addition, the Company is required to maintain certain performance and coverage ratios.

The fair value of the loans approximates their carrying value as these loans carries interest rates which approximates market interest rates. The related maturity profile and interest rate risk are shown in note 30 to the financial statements.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

21. Corporate Deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 6 months. The interest rate and maturity profile are given in note 30 to the financial statements. As on reporting date the company hold corporate deposit of RO 3.350 million (2021: RO 4 million).

22. Dividends Proposed and Paid

The Board of Directors have proposed a cash dividend of 2.75% and stock dividend of 2% for the year 2022 (2021: 3% cash dividend) subject to approval of the shareholders at the Annual General Meeting.

The dividends paid during the year amounted to 1,047,433 (2021: nil).

23. Basic and Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares.

	2022 RO	2021 RO
Profit for the year	**1,603,227**	1,913,741
Weighted average number of shares	**349,144,411**	349,144,411
Basic earnings per share for the year	**0.005**	0.005

The diluted earnings per share is same as basic earnings per share as the Company does not have any instruments having dilutive effect.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

24. Net Assets Per Share

The calculation of net assets per share is as below:

	2022 RO	2021 RO
Net asset value	**48,051,918**	47,326,124
Number of ordinary shares outstanding	**349,144,411**	349,144,411
Net asset per share	**0.138**	0.136

25. Segmental Information

The Company operates in the finance industry and its operations are confined to the Sultanate of Oman. Management has determined the operating segments based on the reports reviewed by the Management Committee that makes strategic decisions.

The Management Committee considers the business from a product perspective only, as geographically, all of the business is located locally in the Sultanate of Oman.

The reportable operating segments derive their revenue primarily from corporate and retail. The insurance and factoring segments are not meeting the quantitative thresholds required by IFRS - 8 Operating Segments, therefore they are reported only for reconciliation purposes as well as the unallocated items.

The Management Committee assesses the performance of the operating segments based on a measure of profit before tax.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

25. Segmental Information (continued)

The segment information provided to the Management Committee for the reportable segments For the Year Ended 31 December 2022 is as follows:

31 December 2022	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues	**2,811,659**	**4,857,111**	**42,727**	**-**	**7,711,497**
Interest income on installment finance income					
Interest expense	**(654,261)**	**(1,113,311)**	**-**	**-**	**(1,767,572)**
Net installment finance income	**2,157,398**	**3,743,800**	**42,727**	**-**	**5,943,925**
Fee commission and other income	**-**	**-**	**105,671**	**498,758**	**604,429**
Segmental expenses					
Operating expenses	**(1,428,040)**	**(2,429,997)**	**-**	**-**	**(3,858,037)**
Depreciation	**-**	**-**	**-**	**(95,306)**	**(95,306)**
Profit before tax and allowance for ECL	**729,358**	**1,313,803**	**148,398**	**403,452**	**2,595,011**
Allowance for expected credit losses	**(1,819,481)**	**1,110,621**	**-**	**-**	**(708,860)**
Segmental profit for the year before tax	**(1,090,123)**	**2,424,424**	**148,398**	**403,452**	**1,886,151**
Income tax expense	**-**	**-**	**-**	**(282,924)**	**(282,924)**
Segmental profit for the year	**(1,090,123)**	**2,424,424**	**148,398**	**120,529**	**1,603,227**
Total assets	**34,629,090**	**53,607,712**	**-**	**4,775,418**	**93,012,220**
Total liabilities	**-**	**-**	**-**	**44,960,302**	**44,960,302**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

25. Segmental Information (continued)

31 December 2021	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Interest income on installment finance income	4,199,108	3,963,217	28,688	-	8,191,013
Interest expense	(989,867)	(951,048)	-	-	(1,940,915)
Net installment finance income	3,209,241	3,012,169	28,688	-	6,250,098
Fee commission and other income	-	-	93,887	442,419	536,306
Segmental expenses					
Operating expenses	(1,565,468)	(1,504,077)	-	-	(3,069,545)
Depreciation	-	-	-	(95,004)	(95,004)
Profit before tax and allowance for ECL	1,643,773	1,508,092	122,575	347,415	3,621,855
Allowance for expected credit losses	(648,686)	(654,043)	-	-	(1,302,729)
Segmental profit for the year before tax	995,087	854,049	122,575	347,415	2,319,126
Income tax expense	-	-	-	(405,385)	(405,385)
Segmental profit for the year	995,087	854,049	122,575	(57,970)	1,913,741
Total assets	35,771,011	44,530,707	-	4,154,628	84,456,346
Total liabilities	-	-	-	37,130,222	37,130,222

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

26. Related Parties

Transactions included in statement of profit or loss and comprehensive income are as follows:

	2022 RO	2021 RO
Directors' sitting fees (note 8)	**70,500**	70,000
Directors' remuneration (note 8)	**80,000**	-
Other related parties:		
Interest income on installment finance income	**190,268**	200,497

Compensation of the key management personnel is as follows :

	2022 RO	2021 RO
Salaries and allowances	**448,682**	209,791
End of service benefits	**18,584**	9,291
	467,266	219,082

Transactions relating to Installment finance debtors during the year are as follows:

	2022 RO	2021 RO
Other related parties:		
Disbursements:	**78,200**	1,801,148
Other related parties:		
Collections:	**510,963**	879,288
Amounts due from related parties:		
Installment finance debtors due	**1,790,257**	3,129,477

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

26. Related Parties (continued)

The provision pertaining to the above balances have been covered as part of the expected credit loss measurement. Please refer note 30.

	2022 RO	2021 RO
Amounts due to related parties:		
Lease financing	**546,803**	591,772
Amount due	**140,570**	81,672

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are as similar to normal course of business at arm's length price and all transactions approved by the Company's Board of Directors.

The Company maintains balances with these related parties which arise in the normal course of business. The Company has entered into transactions in the ordinary course of business with other related parties in which certain directors have a significant influence and with senior management. The terms and conditions of these transactions are at arm's length pricing and mutually agreed.

27. Contingent Liabilities

At 31 December 2022, there were contingent liabilities of RO 10,000 (2021: RO 278,500) in respect of financial guarantees given to banks in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

28. Commitments

The Company has approved commitments to customers as on 31 December 2022 amounting to RO 420,198 (31 December 2021: RO 767,978), which is contingent upon fulfillment of the terms and conditions attached thereto. The company has approved commitments to vendors as on 31 December 2022 amounting to RO 269,500 (31 December 2021: nil) towards major capital expenditure.

29. Fair Value Information

It is the Company's intention to hold loans and advances to customers to maturity. As a result, the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company considers that the fair value of financial instruments at 31 December 2022 and 2021 are not significantly different to their carrying value at each of those dates.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

29. Fair Value Information (continued)

Fair Value Hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	Total RO	Level 1 RO	Level 2 RO	Level 3 RO
31 December 2022				
Financial Instruments measured at FVOCI	**724,150**	**-**	**-**	**724,150**
31 December 2021				
Financial Instruments measured at FVOCI	554,150	-	-	554,150

During the year ended 31 December 2022 and 31 December 2021, there were no transfers between Level 1, Level 2 and Level 3 measurements.

30. Financial Risk Management

The Company's activities expose it to variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), liquidity risk and operational risk. The Company continuously strives to face challenges and exploit the opportunities the market offers through a process of proactively assessing market forces and economic factors to maintain a competitive edge by devising appropriate strategies to mitigate and manage risk.

The Board of Directors sets the overall risk parameters and tolerances and the significant risk management parameters & associated policies. The Audit and Risk Committee of the Board reviews and reports to the Board of Directors on the Company's risk profile and risk-taking activities. The Asset Liability Management committee (ALCO), chaired by the CEO reviews the risks associated to liquidity, foreign exchange risk & interest rate risk. Risk Management department on a quarterly basis provide detailed report to the Audit and Risk Committee covering all the aspects of Risk Management framework. The risk management control process is based on a detailed structure of policies, procedures and limits and comprehensive risk measurement and management systems for the control, monitoring and reporting of risks. Periodic reviews by the internal and external auditors and regulatory authorities subject the risk management processes to additional scrutiny that help to further strengthen the risk management environment.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Credit Risk
The measurement of ECL under IFRS 9 uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in significant accounting policies in note 3 to the financial statements.

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from consumer financing, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, endorsements and acceptances.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is crucial for the Company's business; therefore, management carefully manages its exposure to credit risk. Well defined policies and processes are in place at both the business units and corporate level that are intended to ensure that risks are assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counter party, and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography. The Company attempts to control credit risk through continuously reviewing and improving its credit policies to meet the demanding needs of market, setting and monitoring credit exposures, limiting transactions with specific counter parties and assessing their creditworthiness and restricting exposure to any particular industry or individuals or Companies of customers in a particular region / location. In addition, to mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of the borrowers. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)

Maximum Exposure to Credit Risk
The table below gives the maximum exposure to credit risk. The maximum exposures are shown at gross before the effect of mitigation through the use of collateral agreements:

	2022 RO	2021 RO
Installment finance debtors	**99,153,538**	98,532,791
Bank balances and deposits (including deposit with CBO)	**1,200,933**	1,063,376
Other receivables	**19,010**	1,347
Total credit risk exposure	**100,373,481**	99,597,514

Collateral Held and Other Credit Enhancement
The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period. The underlying asset subject to lease is held as a collateral in addition to personal guarantees of the lessee and other properties in certain cases.

Expected Credit Loss Measurement
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer below notes for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer below for description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer below for description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please refer below for estimating impairment for explanation of how the Company has incorporated this in its ECL models.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Credit Risk (continued)

Expected Credit Loss Measurement (continued)

The Company allocates each exposure to a credit risk bucket based on days past due and other variety of data (quantitative and qualitative factors) that is determined to be predictive of the risk of default and applying experienced credit judgement. These factors vary depending on the nature of the exposure and the type of borrower.

The ageing of gross installment finance debtors that were not impaired at the reporting date is as follows:

	2022 RO	2021 RO
Neither past due nor impaired	**72,719,388**	65,958,607
Past due 1-30 days	**3,832,982**	5,006,178
Past due 31-60 days	**945,697**	1,109,973
Past due 61-89 days	**123,532**	169,160
	77,621,599	72,243,918

The total impaired assets as at 31 December 2022 amounts to RO 21.53 million (2021: RO 26.29 million).

Credit risk buckets are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk buckets.

Generating the Term Structure of PD

Credit risk buckets are primary inputs into the determination of the term structure of PD for exposures. The Company collects performance information about its credit risk exposures analyzed by type of product and borrower as well as by credit risk buckets.

The Company employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors on the risk of default.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)
Generating the Term Structure of PD (continued)

For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices. Based on advice from Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base scenario' of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

Significant Increase in Credit Risk (SICR)
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Quantitative criteria for determining the significant increase in credit risk are summarized in the below table:

Portfolio	Days Past Due
Corporate	More than 30 days
Retail	More than 30 days

Further, as per CBO guidance BM 1149 circular, in respect of corporate borrowers where the exposure is RO 500,000 or more, the Company also considers the occurrence of any one or more of the following events as evidence of significant increase in credit risk:

- Inadequate or unreliable financial and other information such as unavailability of audited financial statements.
- Non-cooperation by the borrower in matters pertaining to documentation.
- Borrower is the subject of litigation by third parties that may have a significant impact on his financial position.
- Frequent changes in senior management.
- Intra-Company transfer of funds without underlying transactions.
- Deferment / delay in the date for commencement of commercial operations by more than one year.
- Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants, etc. In applying this requirement, FLCs may be guided by the extant instructions of CBO in regard to treating an account as restructured.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)
Significant Increase in Credit Risk (SICR) (continued)

- A fall of 25 percent or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in net worth by more than 20 percent as compared to the previous year end coupled with an increase in leverage.
- A fall in the debt service coverage ratio to below 1.

Definition of Default and Credit-impaired Assets
The Company considers a financial asset to be in default and credit impaired when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The borrower is past due more than 89 days on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default and credit impaired, the Company considers indicators that are:

- Qualitative - e.g. breaches of covenant;
- Quantitative - e.g. 90 days overdue status and non-payment on another obligation of the same borrower to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Measuring ECL - Explanation of Inputs, Assumptions and Estimation Techniques
The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below:

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Credit Risk (continued)

Measuring ECL - Explanation of Inputs, Assumptions and Estimation Techniques (continued)

PD estimates are estimates at a certain date, which are calculated using statistical models tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between buckets, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of Default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for undrawn loan commitment, the Company measures ECL over a period longer than the maximum contractual period if the Company's contractual ability to cancel the undrawn commitments does not limit the Company's exposure to credit losses to the contractual notice period. The Company can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Company becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Company expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)

Forward-looking Information Incorporated in the ECL Models
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organizations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The economic scenarios used as at 31 December 2022 included the following ranges of key indicators for Sultanate of Oman for the years ending 31 December 2023 to 2027.

	2023	2024	2025	2026	2027
GDP growth	4.1%	1.9%	2.3%	2.5%	2.7%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed considering Company's historical data and readily available papers issued by Basel committee on banking supervision.

Sensitivity Analysis
Set out below are the changes to the ECL as at 31 December 2022 that would result from reasonably possible changes in parameters from the actual assumptions used in the Company's economic variable assumptions.

Retail / corporate portfolios

	[+1%] RO	No change RO	[-1%] RO
GDP growth	10,824,300	10,916,736	11,031,296

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Credit Risk (continued)

Forward-looking Information Incorporated in the ECL Models (continued)

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Credit Quality Analysis

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in significant accounting policies in Note 3.

	2022				2021
	ECL Staging				
	Stage 1	Stage 2	Stage 3		
	12-month ECL RO	Lifetime ECL not credit-impaired RO	Lifetime ECL credit-impaired RO	Total RO	Total RO
Installment finance debtors:					
Standard	**74,136,059**	**3,341,128**	**144,412**	**77,621,599**	72,243,918
Special mention			**6,199,360**	**6,199,360**	2,426,515
Substandard			**756,711**	**756,711**	1,001,505
Doubtful			**548,731**	**548,731**	689,151
Loss			**14,027,137**	**14,027,137**	22,171,702
	74,136,059	**3,341,128**	**21,676,351**	**99,153,538**	98,532,791
Allowance for ECL	**590,328**	**493,281**	**9,832,138**	**10,915,747**	(18,228,085)
Carrying amount	**73,545,731**	**2,847,847**	**11,844,213**	**88,237,791**	80,304,706
Undrawn Commitments	**420,198**			**420,198**	767,978
Allowance for ECL	**989**			**989**	(2,988)
Carrying amount in statement of financial position	**73,544,742**	**2,847,847**	**11,844,213**	**88,236,802**	80,301,718

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)
Credit Quality Analysis (continued)

Amounts Arising from ECL
The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Write-off Policy
The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity or there is no reasonable expectation of recovery. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was amounted to RO 8,154,517 (2021: nil) excluding overdue interest.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)

Comparison of Provision Held as per IFRS 9 and Required as per CBO Norms

31 December 2022

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Standard	**Stage 1**	**74,136**	**259**	**549**	**(290)**	**73,835**	**73,545**	**6,410**	**42**
	Stage 2	**3,341**	**126**	**473**	**(347)**	**3,195**	**2,849**	**283**	**20**
	Stage 3	**145**	**-**	**69**	**(69)**	**142**	**73**	**1**	**3**
		77,622	**385**	**1,091**	**(706)**	**77,172**	**76,466**	**6,694**	**65**
Special mention	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**6,199**	**709**	**1,599**	**(890)**	**5,279**	**4,389**	**128**	**211**
		6,199	**709**	**1,599**	**(890)**	**5,279**	**4,389**	**128**	**211**
Substandard	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**757**	**182**	**65**	**117**	**541**	**658**	**52**	**34**
		757	**182**	**65**	**117**	**541**	**658**	**52**	**34**
Doubtful	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**549**	**191**	**102**	**89**	**325**	**414**	**13**	**33**
		549	**191**	**102**	**89**	**325**	**414**	**13**	**33**
Loss	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**14,027**	**10,340**	**6,133**	**4,207**	**2,103**	**6,310**	**224**	**1,584**
		14,027	**10340**	**6,133**	**4,207**	**2,103**	**6,310**	**224**	**1,584**
Total	**Stage 1**	**74,136**	**259**	**549**	**(290)**	**73,835**	**73,545**	**6,410**	**42**
	Stage 2	**3,341**	**126**	**473**	**(347)**	**3,195**	**2,848**	**283**	**20**
	Stage 3	**21,677**	**11,422**	**7,968**	**3,454**	**8,390**	**11,844**	**418**	**1,865**
		99,154	**11,807**	**8,990**	**2,817**	**85,420**	**88,237**	**7,111**	**1,927**

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)
Comparison of Provision Held as per IFRS 9 and Required as per CBO Norms (continued)

31 December 2021

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Standard	Stage 1	69,568	595	1,722	(1,127)	68,920	67,793	7,430	53
	Stage 2	2,676	170	542	(372)	2,473	2,101	191	33
	Stage 3	-	-	-	-	-	-	-	-
		72,244	765	2,264	(1,499)	71,393	69,894	7,621	86
Special mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,427	193	395	(202)	2,190	1,988	193	44
		2,427	193	395	(202)	2,190	1,988	193	44
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	1,001	239	233	6	715	721	69	47
		1,001	239	233	6	715	721	69	47
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	689	290	138	152	357	509	36	42
		689	290	138	152	357	509	36	42
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	22,172	16,651	12,315	4,336	2,854	7,190	272	2,667
		22,172	16,651	12,315	4,336	2,854	7,190	272	2,667
Total	Stage 1	69,568	595	1,722	(1,127)	68,920	67,793	7,430	53
	Stage 2	2,676	170	542	(372)	2,473	2,101	191	33
	Stage 3	26,289	17,373	13,081	4,292	6,116	10,408	570	2,800
		98,533	18,138	15,345	2,793	77,509	80,302	8,191	2,886

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)
Comparison of Provision Held as per IFRS 9 and Required as per CBO Norms (continued)

The gross carrying amount in the above table represents the classification of loans as per the requirements of IFRS 9.

Loans with Renegotiated Terms
Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Company has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Renegotiated finance debtors as at 31 December 2022 was RO 4.04 million (2021: RO 2.63 million). Out of these finance debtors amounting to RO 3.63 million (2021: RO 1.96 million) were impaired at the time of renegotiation.

Restructured accounts

31 December 2022

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Classified as performing	**Stage 1**	**427**	**-**	**48**	**(48)**	**427**	**379**	**46**	**-**
	Stage 2	**17**	**-**	**2**	**(2)**	**17**	**15**	**1**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		444	**-**	**50**	**(50)**	**444**	**394**	**47**	**-**
Classified as non-performing	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	Stage 3	**3,594**	**1,148**	**1,129**	**19**	**2,189**	**2,208**	**97**	**257**
		3,594	**1,148**	**1,129**	**19**	**2,189**	**2,208**	**97**	**257**
Total	**Stage 1**	**427**	**-**	**48**	**(48)**	**427**	**379**	**46**	**-**
	Stage 2	**17**	**-**	**2**	**(2)**	**17**	**15**	**1**	**-**
	Stage 3	**3,594**	**1,148**	**1,129**	**19**	**2,189**	**2,208**	**97**	**257**
		4,038	**1,148**	**1,179**	**(31)**	**2 ,633**	**2,602**	**144**	**257**

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)

Comparison of Provision Held as per IFRS 9 and Required as per CBO Norms (continued)

Restructured accounts (continued)

31 December 2021

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,626	1,106	951	155	1,274	1,429	73	246
		2,626	1,106	951	155	1,274	1,429	73	246
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,626	1,106	951	155	1,274	1,429	73	246
		2,626	1,106	951	155	1,274	1,429	73	246

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Credit Risk (continued)

Impairment allowance and loss as at 31 December 2022 and 2021

	As per CBO Norms		As per IFRS 9		Difference	
	2022	2021	**2022**	2021	**2022**	2021
Impairment loss charged to profit and loss account (RO)	**671**	1,847	**709**	1,303	**38**	(544)
Provisions required as per CBO norms / held as per IFRS 9 (RO)*	**13,734**	21,024	**10,917**	18,231	**(2,817)**	(2,793)
Gross NPL ratio	**21.72%**	26.68%	**21.72%**	26.68%	**-**	-
Net NPL ratio	**9.13%**	6.79%	**12.03%**	10.03%	**(2.90%)**	(3.24%)

* Provisions required as per CBO norms and provisions held as per IFRS 9 disclosed above For the Year Ended 31 December 2022 and 31 December 2021 include reserve interest.

Concentrations of credit risk

Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to installment finance debtors to any single counterparty as of 31 December 2022. An industry sector analysis of the Company's Installment finance debtors (net) before considering collateral held is as follows:

	2022 RO	2021 RO
Personal / car loans	**31,908,055**	27,008,314
Corporate loan:		
- Services	**28,388,291**	24,806,851
- Construction contracts	**15,422,178**	13,850,961
- Construction equipment	**3,760,086**	5,310,386
- Manufacturing	**4,667,675**	6,695,271
- Trading	**1,608,161**	1,969,407
- Other	**2,482,356**	660,528
	88,236,802	80,301,718

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Credit Risk (continued)

Credit quality per class of financial assets
The credit quality of financial assets is regularly monitored by the Company.

Aging analysis of past due but not impaired installment finance debtors after deduction of unearned finance income is set out as below:

	2022 RO	2021 RO
1 to 89 days	**4,902,211**	6,285,311

Aging analysis of past due and impaired installment finance debtors after deduction of unearned finance income is set out as below:

	2022 RO	2021 RO
90 to 364 days	**7,504,803**	4,117,171
365 days and above	**14,027,136**	22,171,702
	21,531,939	26,288,873

All loans extended by the Company are against security of assets financed and in certain cases, if required, against additional security. All loans are additionally secured by personal guarantees of the borrowers.

The Company limits its credit risk with regard to bank deposits by dealing with reputable banks.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Market Risk
Market risk is the risk of loss due to adverse changes in interest rates and foreign exchange rates. The Company does not actively participate in trading in debts, equity securities, and foreign exchange or derivative instruments.

Foreign Exchange Risk
Currency risk arises from the possibility of changes in the value of financial assets due to changes in the foreign currency rates. As there is an exchange parity agreement between Oman and the United States of America, the exchange rates have remained stable over the years.

Interest Rate Risk
Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The Company manages this risk by matching the re-pricing of assets and liabilities and through risk management strategies. The loans extended by the Company are for periods varying from one to over five years are at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the Company's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The Company mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates.

The interest rates on borrowings with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short-term loans. The Company uses sensitivity analysis to analyze and measure interest rate on the variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that change in 100 basis points in the average funding cost would change net interest income.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Interest Rate Risk (continued)

The table below summarizes the Company's exposure to interest rate risks. Included in the table are the Company's financial instruments and other assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	724,150	724,150
Deposit with Central Bank of Oman						250,000	250,000
Installment finance debtors	11,776,212	13,479,339	21,313,884	14,396,862	27,270,505	-	88,236,802
Other receivables	-	-	-	-	-	464,439	464,439
Cash and cash equivalents	1,007,164	-	-	-	-	-	1,007,164
Property and equipment and other assets	-	-	-	-	-	2,329,665	2,329,665
TOTAL ASSETS	12,783,376	13,479,339	21,313,884	14,396,862	27,270,505	3,768,254	93,012,220
Equity and liabilities							
Borrowings	25,677,778	4,083,333	4,666,667	1,777,778	-	-	36,205,556
Corporate deposits*	-	3,000,000	350,000	-	-	-	3,350,000
Creditors and other payables	4,550,754	233,780	-	-	-	324,904	5,109,438
Equity	-	-	-	-	-	48,051,918	48,051,918
Taxation	-	-	-	-	-	295,308	295,308
TOTAL EQUITY AND LIABILITIES	30,228,532	7,317,113	5,016,667	1,777,778	-	48,672,130	93,012,220
Interest rate sensitivity gap	(17,445,156)	6,162,226	16,297,217	12,619,084	27,270,505	(44,903,876)	-
Cumulative gap	(17,445,156)	(11,282,930)	5,014,287	17,633,371	44,903,876	-	-

* Corporate deposits are at market rates.

** Effective interest rate is considered at 1.5% per annum.

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Interest Rate Risk (continued)

31 December 2021	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	15,477,128	12,986,630	17,566,061	13,345,595	20,926,304	-	80,301,718
Other receivables	-	-	-	-	-	106,976	106,976
Cash and cash equivalents	-	-	-	-	-	896,294	896,294
Property and equipment and other assets	-	-	-	-	-	2,347,207	2,347,207
TOTAL ASSETS	15,477,128	12,986,630	17,566,061	13,345,595	20,926,304	4,154,628	84,456,346
Equity and liabilities							
Borrowings	23,386,116	4,483,333	77,778	-	-	-	27,947,227
Corporate deposits	2,000,000	2,000,000	-	-	-	-	4,000,000
Creditors and other payables	4,192,906	314,226	-	-	-	313,802	4,820,934
Equity	-	-	-	-	-	47,326,124	47,326,124
Taxation	-	-	-	-	-	362,061	362,061
TOTAL EQUITY AND LIABILITIES	25,386,116	6,483,333	77,778	-	-	52,509,119	84,456,346
Interest rate sensitivity gap	(9,908,988)	6,503,297	17,488,283	13,345,595	20,926,304	(48,354,491)	-
Cumulative gap	(9,908,988)	(3,405,691)	14,082,592	27,428,187	48,354,491	-	-

* Corporate deposits are at market rates.
** Effective interest rate is considered at 1.5% per annum.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2022

30. Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is that an entity will encounter when it is unable to meet its obligations at any given time. The Company's conservative liability management policies are designed to ensure that even in adverse situations the Company should be in a position to meet its obligations. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. The objectives are met through the application of prudent liquidity controls.

The amounts disclosed in table below analyzes the Company's financial instruments and other assets and liabilities into relevant maturity based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of the discounting is not significant. The Company has unutilized credit facilities of RO 15.84 million (2021: RO 14.64 million).

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	724,150	724,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	11,776,212	13,479,339	21,313,884	14,396,862	27,270,505	-	88,236,802
Other receivables and prepaid expenses	464,439	-	-	-		-	464,439
Cash and cash equivalents	1,007,164	-	-	-	-	-	1,007,164
Property and equipment and other assets	-	-	-	-	-	2,329,665	2,329,665
TOTAL ASSETS	13,247,815	13,479,339	21,313,884	14,396,862	27,270,505	3,303,815	93,012,220
Equity and liabilities							
Borrowings	25,677,778	4,083,333	4,666,667	1,777,778	-	-	36,205,556
Corporate deposits	-	3,000,000	350,000	-	-	-	3,350,000
Creditors and other payables	4,550,754	233,780	-	-	-	324,904	5,109,438
Equity	-	-	-	-	-	48,051,918	48,051,918
Taxation	-	-	-	-	-	282,924	282,924
TOTAL EQUITY AND LIABILITIES	30,228,532	7,317,113	5,016,667	1,777,778	-	48,672,130	93,012,220

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Liquidity Risk (continued)

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Gap in maturity (excluding off balance sheet items)	(16,980,717)	6,162,226	16,297,217	12,619,084	27,270,505	(45,368,315)	-
Cumulative gap in maturity	(16,980,717)	(10,818,491)	5,478,726	18,097,810	45,368,315	-	-
Unearned finance income	3,311,581	3,061,207	4,471,432	2,747,836	2,444,896	-	16,036,952
Total assets (including off balance sheet items)	16,559,396	16,540,546	25,785,316	17,144,698	29,715,401	3,303,815	109,049,172
Liabilities off balance sheet							
Interest payable on loans	498,255	277,226	219,680	58,067	-	-	1,053,228
Contingent liabilities	10,000	-	-	-	-	-	10,000
Total equity and liabilities (including off balance sheet items)	30,736,787	7,594,339	5,236,347	1,835,845	-	48,672,130	94,075,448
Gap in maturity	(14,177,391)	8,946,207	20,548,969	15,308,853	29,715,401	(45,368,315)	14,973,724
Cumulative gap in maturity	(14,177,391)	(5,231,184)	15,317,785	30,626,6638	60,342,039	14,973,724	-

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Liquidity Risk (continued)

31 December 2021	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	15,477,128	13,037,359	17,566,061	13,345,595	20,875,576	-	80,301,718
Other receivables and prepaid expenses	106,976	-	-	-	-	-	106,976
Cash and cash equivalents	896,294	-	-	-	-	-	896,294
Property and equipment and other assets	-	-	-	-	-	2,347,207	2,347,207
TOTAL ASSETS	16,480,398	13,037,359	17,566,061	13,345,595	20,875,576	3,151,357	84,456,346
Equity and liabilities							
Borrowings	23,386,116	4,483,333	77,778	-	-	-	27,947,227
Corporate deposits	2,000,000	2,000,000	-	-	-	-	4,000,000
Creditors and other payables	4,192,906	314,226	-	-	-	313,802	4,820,934
Equity	-	-	-	-	-	47,326,124	47,326,124
Taxation	-	-	-	-	-	362,061	362,061
TOTAL EQUITY AND LIABILITIES	29,579,022	6,797,559	77,778	-	-	48,001,987	84,456,346
Gap in maturity (excluding off balance sheet items)	(13,098,624)	6,239,800	17,488,283	13,345,595	20,875,576	(44,850,630)	-
Cumulative gap in maturity	(13,098,624)	(6,858,824)	10,629,459	23,975,054	44,850,630	-	-
Unearned finance income	2,898,991	2,575,757	3,739,705	2,201,921	1,776,392	-	13,192,766
Total assets (including off balance sheet items)	19,379,389	15,613,116	21,305,766	15,547,516	22,651,968	3,151,357	97,649,112

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Liquidity Risk (continued)

31 December 2021	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Liabilities off balance sheet							
Interest payable on loans	257,091	128,917	5,948	-	-	-	391,956
Contingent liabilities	278,500	-	-	-	-	-	278,500
Total equity and liabilities (including off balance sheet items)	30,114,613	6,926,476	83,726	-	-	48,001,987	85,126,802
Gap in maturity	(10,735,224)	8,686,640	21,222,040	15,547,516	22,651,968	(44,850,630)	12,522,310
Cumulative gap in maturity	(10,735,224)	(2,048,584)	19,173,456	34,720,972	57,372,940	12,522,310	

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve and retained earnings, and is measured at RO 48.03 million as at 31 December 2022 (2021: RO 47.33million).

The Company is in compliance with the Central Bank of Oman's minimum capital requirement of RO 25 million.

Consistent with the regulations prevailing in the industry, the Company monitors capital on the basis of the gearing and leverage ratios. The gearing ratio is calculated as total borrowing (including 'current and non-current borrowings') divided by total equity as shown in the statement of financial position. Leverage ratio is calculated as total outside liabilities divided by net worth (excluding specific reserves and proposed cash dividend).

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2022

30. Financial Risk Management (continued)
Capital Management (continued)

During 2022 and 2021, the Company's strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 31 December 2022 and 2021 were as follows:

	2022 RO	2021 RO
Total borrowings	**39,556**	31,947
Total outside liabilities	**44,665**	36,768
Total equity	**48,052**	47,326
Net worth (defined above)	**39,384**	38,818
Gearing ratio (times)	**0.82**	0.68
Leverage ratio (times)	**1.13**	0.95

31. Climate Related Risks
The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains. The Company is making progress on embedding climate risk in its risk framework.

32. General
Figures have been rounded off to the nearest RO unless otherwise stated.

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